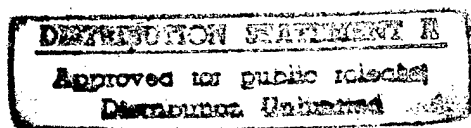




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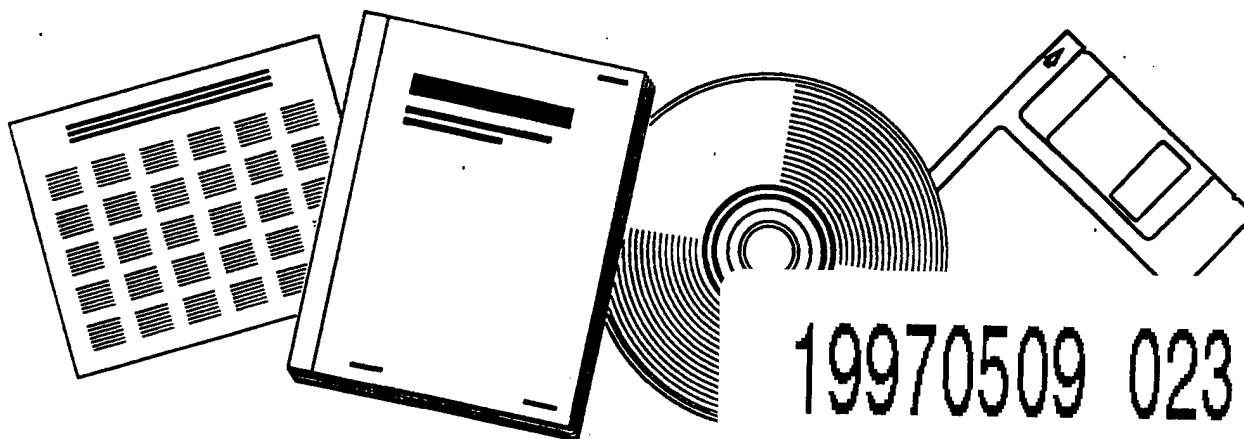
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# TRANSCRIPTS OF REGIONAL HEARINGS, ATLANTA GEORGIA ANNEX L TO ADJUSTING TO THE DRAWNDOWN. REPORT OF THE DEFENSE CONVERSION COMMISSION



(U.S.) DEFENSE CONVERSION COMMISSION  
WASHINGTON, DC

JUL 30, 92



U.S. DEPARTMENT OF COMMERCE  
National Technical Information Service

BIBLIOGRAPHIC INFORMATION

PB93-175909

Report Nos: none

Title: Transcripts of Regional Hearings, Atlanta, Georgia: Annex L to Adjusting to the Drawdown. Report of the Defense Conversion Commission.

Date: 30 Jul 92

Performing Organization: Defense Conversion Commission, Washington, DC.

NTIS Field/Group Codes: 96A\*, 74E

Price: PC A05/MF A02

Availability: Available from the National Technical Information Service,  
Springfield, VA. 22161

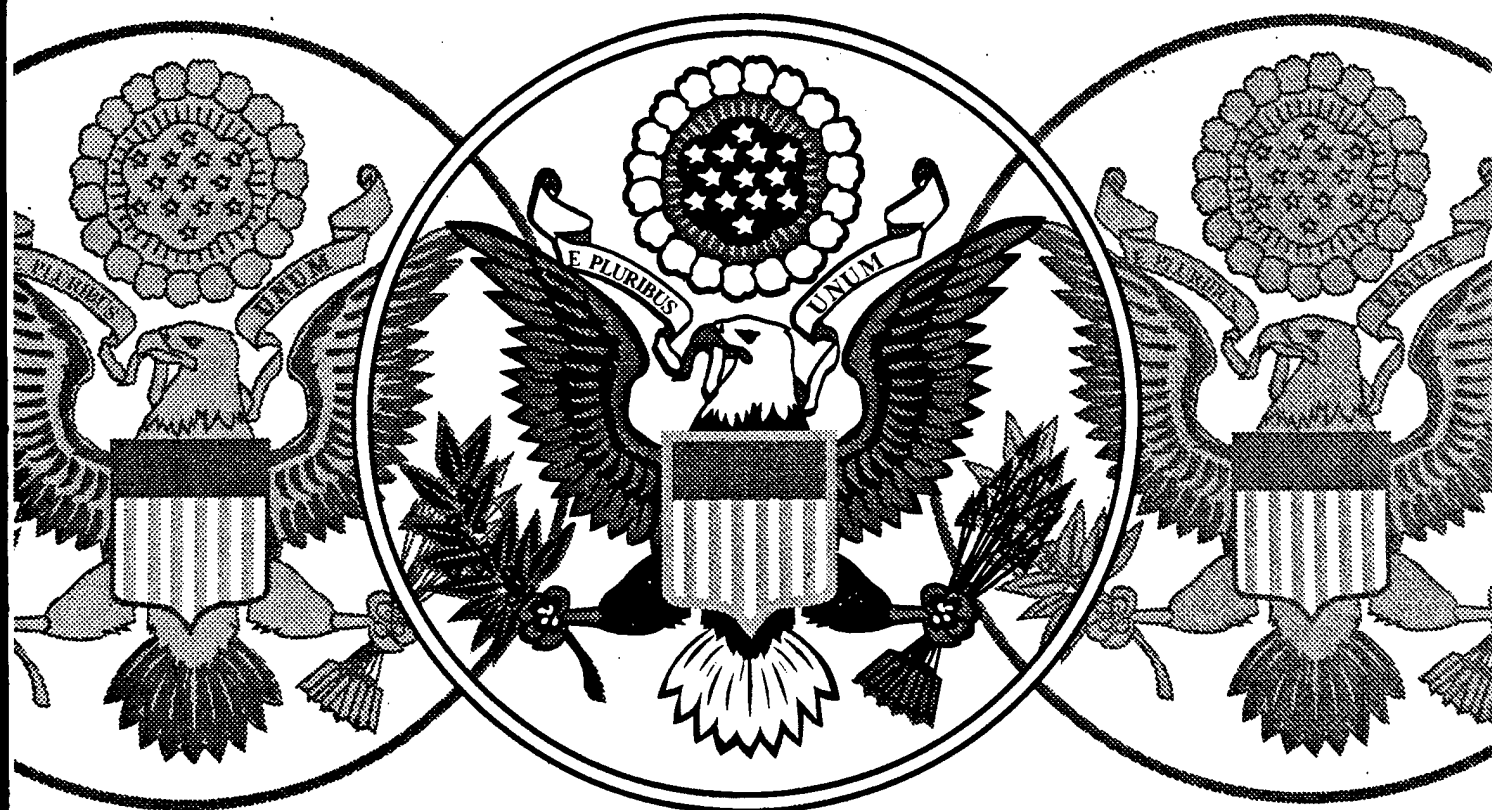
Number of Pages: 100p\*

Keywords: \*Defense budgets, \*Drawdown, \*Public hearings, Defense economics, Reduction, Economic impact, Regional analysis, Unemployment, Training programs, Federal assistance programs, \*Atlanta(Georgia), Department of Defense.

Abstract: The document provides a complete transcript of the Defense Conversion Commission Regional Hearings that took place in Atlanta, Georgia on July 30, 1992.

# Transcripts of Regional Hearings

## Atlanta, Georgia



Annex L to  
*Adjusting to the Drawdown*  
Report of the  
Defense Conversion Commission

DEFENSE CONVERSION COMMISSION

PUBLIC HEARING

July 30, 1992

Atlanta, Georgia

OFFICIAL RECORD OF HEARING PROCEEDINGS

COMMISSIONERS PRESENT:

David J. Berteau, Chairman

Charles A. May, Jr., Commissioner

Robin Higgins, Commissioner

Douglas Lavin, Commissioner

## C O N T E N T S

	PAGE
Opening Remarks Chairman Berteau	4
Presentation of Gerald J. Carey Georgia Tech Research Institute	5
Presentation of Dr. Gary Poehlein Georgia Institute of Technology	8
Presentation of Roy D. Terry Terry Manufacturing Company, Inc.	15
Presentation of Robert E. David South Carolina Employment Security Commission	19
Presentation of Delores Crockett U.S. Department of Labor, Women's Bureau	26
Presentation of John H. Stanford County Manager, Fulton County	30
Closing Remarks Chairman Berteau	36

## TAPE TRANSCRIPTION

MR. HANLEY: I'd like to welcome everybody to these proceedings. And I think before we ask Chairman Berteau to officially begin the proceedings, just a couple of administrative things. Number one, is there anybody here who would like the benefit of sign language interpretation?

All right. We have that capability, so if anybody changes their mind, just put your hand up and we'll take care of that. Also, these proceedings are being tape recorded. There will be a transcript of them available to anybody who indicates an interest in one, and those transcripts will be available also in large lettering and in braille. And with that we have our first witness here, so if I can turn it over to Mr. Berteau. Perhaps first I should introduce the Commission.

The chairman is Mr. David Berteau, immediately to the right of General Carey, the witness. To Mr. Berteau's right is Mrs. Robin Higgins from the Department of Labor.

And moving in the other direction to the audience's right, we have Charles May from the Defense Department; and Douglas Lavin from the Department of Commerce. And if I can now turn it over to Mr. Berteau and begin the hearing.

CHAIRMAN BERTEAU: Thank you, Paul. We're very glad to be here. For me personally it's good to be back in Atlanta. I lived here for a couple years, had a wonderful time, back in the days when Hank Aaron was playing for the Braves and I got to watch a lot of great ballgames. Atlanta is the first in our series of hearings and site visits around the country. Our Commission is chartered to study the impact of the defense reductions on the U.S. economy, both in terms of the people that are being put out of work and in terms of the reduction in procurement dollars.

We're also charged to look at retraining programs to help those people, and to look at programs to assist companies in making the transition from being defense dependent to being commercially viable companies.

Our approach is to look at this from an open-minded point of view, take a fresh look at the existing programs, and try very hard to identify both what the problems are and what the right solutions are for that.

We're trying to take advantage not only of a lot of former studies and experts and that sort of thing, but most importantly to get out and talk to people who are actually living with the impact of the reductions, to get their stories, to learn from their experience.

We are here really to hear about both problems and solutions and the ideas of what to do, and we want to figure out the best ways in which these problems can be solved and the best ways in which the government -- what the right government role is to help that out.

Our timetable is that we'll have hearings and visits over the next two months, then we owe a report to the Secretary of Defense by December of this year.

In Atlanta here we had site visits yesterday and this morning. We have the hearing this afternoon. It is open to the public and we are happy to hear from everyone. We do want the input of those folks who are living through this.

1           We'll go on from here. Our next hearing is in Long Beach, California, next  
2 week, and then we'll go around the country from there. Our first witness this afternoon, I  
3 think we're ready, and Paul, if you would introduce the witness, we'll get on it with it.

4           MR. HANLEY: The first witness is General Gerald J. Carey, Jr., Georgia  
5 Tech Research.

6           MR. CAREY: Thank you, Mr. Berteau, Chairman; Commissioners, ladies  
7 and gentlemen. It's a pleasure to be here this afternoon to appear before the Defense  
8 Conversion Commission.

9           Along with myself who are associate director of the Georgia Tech Research  
10 Institute and Dr. Gary Poehlein who is vice-president for interdisciplinary programs at  
11 Georgia Tech.

12           The two of us would like to share some thoughts with you on the impact of  
13 the defense drawdown on the university sector.

14           And we'd like to cover two areas. First, the contribution that universities in  
15 general and Georgia Tech in particular have made to the defense community in terms of  
16 maintaining its technological edge. And the impact, we believe that if this technical  
17 capability were lost, what would be the impact on the national security objectives of the  
18 United States.

19           So we'd like to talk about the contribution that this research sector has  
20 made and some of the challenges that are now being faced to this sector, at least from the  
21 Georgia Tech viewpoint.

22           And the second point, an area that we'll cover, particularly by Dr. Poehlein,  
23 will be the educational and transition capabilities that the universities can make to easing  
24 this drawdown from an educational and training and transference of critical technologies  
25 point of view.

26           So with that in mind, I've prepared a point paper for your use. And for the  
27 ten minutes that are available to me, I'd like to briefly cover some of those high points.

28           We would be particularly interested in making this a dialogue and getting  
29 your ideas of what you think of some of these points. And we recognize the importance  
30 that the Commission report will have on impacting the national objectives of the United  
31 States because at least from my viewpoint of the 30 years I was in the military and the 11  
32 years I've been in the university sector working with various elements of the community,  
33 this is a most critical time for the United States. And you, the Conversion Commission, I  
34 think will have a dramatic impact on how successful or unsuccessful will be that  
35 transition.

36           Now, with regard to the contribution that universities make to the technical  
37 capability of the United States, Georgia Tech in particular has worked over these last 50  
38 years in various elements of research.

39           The Georgia Institute of Technology was founded in 1885. It offers  
40 educational and research programs in science, engineering, management, international  
41 affairs, public policy, computing, and architecture. And the Institute has a student  
42 enrollment of over 12,000, 9,000 of those in the undergraduate and 2,000 of those in the  
43 graduate program.

44           So research is a strong element of a research university both from a



1 teaching and a research objectives point of view.

2 Georgia Tech has been nationally recognized in the Department of Defense  
3 report to the Congress as a national asset in certain disciplines, in particular that of  
4 electronic combat.

5 Certainly General May and other people here recognize that the ability of  
6 our forces, for example, in Desert Shield/Desert Storm to completely negate the Iraqi air  
7 defenses by jamming them, deceiving them, both lethally and nonlethally, was critical to  
8 us, mainly having the techniques, in the weapons systems in order to jam and deceive the  
9 potential enemy and that is just what happened.

10 Georgia Tech was recognized by General Ronald Yates who visited us after  
11 the completion of Desert Shield/Desert Storm to thank us in particular for the work that  
12 we've done.

13 Also in the area of smart munitions and guidance, in the areas of undersea  
14 sonar detection, in the area of stealth technology. The Georgia Institute of Technology  
15 has been working very diligently in this area.

16 If you look at fiscal year '92, the Georgia Institute of Technology conducted  
17 some \$168.7 million of research of which \$106.2 million or 63 percent was for the  
18 Department of Defense.

19 Currently we are experiencing a significant decrease of our Department of  
20 Defense awards. Total DOD funding to Georgia Tech has dropped by some \$19.2 million  
21 or some 20.43 percent from fiscal year '91 to '92.

22 And this research was conducted primarily within the research  
23 organizational structure shown at tab B, the outline that I have.

24 This outline will show that the Georgia Tech Research Institute, which has  
25 20 laboratories, some 28 centers located in the office of interdisciplinary programs of  
26 which Dr. Poehlein heads and also in the academic colleges and schools.

27 This is a very large and significant amount of research. It is research that  
28 is conducted in 20 of the 21 critical technologies that have been identified by the  
29 Department of Defense as significant in maintaining that technical edge.

30 And if you look at the critical technologies as defined by the Department of  
31 Defense and those critical technologies as defined by the White House, Office of Science  
32 and Technology Policy, a hand-out which has been given to you, you will see that there is  
33 a nearly one-for-one comparison between the technologies that are inherent in maintaining  
34 a strong technology bed for national defense and to that of maintaining a strong  
35 competitive edge in the world marketplace.

36 Manufacturing technology, synthesis in processing of materials, high  
37 performance metals, electronics and photonics, medical technology, intelligent processing  
38 equipment, man-machine intelligence robotics, biotechnology, semi-conductor materials in  
39 micro-electronics, photonics.

40 There is a transference of these technologies that we believe universities  
41 can help in providing the transition within the defense industries into the industrial sector,  
42 nondefense-oriented, and we believe that Georgia Tech and other universities that have  
43 contributed to this national defense effort can play.

44 And we believe that the Commission in its report should recognize this

1 capability and perhaps put some incentives to universities to make this transition.

2 Because as a not-for-profit, no-fee university that is not able to derive any  
3 resources from the State at this time for this type of transition it would have to come from  
4 the federal government. Now, there are also some other challenges to the university sector  
5 in terms of maintaining its technical edge.

6 Recently there have been problems in the university research base as funded  
7 by the federal government. A university -- one of them was accused and later found to be  
8 guilty of having improper submissions into that research base. And because of that  
9 problem, the Office of Management and Budget through its directive has capped the  
10 administrative portion of overhead return to the universities at 26 percent.

11 That means that if universities such as Georgia Tech, which have  
12 considerable investments in antenna ranges, in anechoic chambers, because of its  
13 requirements to maintain the technical edge, it is being limited to its recovery and in fact  
14 is underrecovery.

15 You will see at tab D an article that appeared in this week's Chronicle of  
16 Higher Education which is entitled "Universities Said to Pay Significant Amount of Costs  
17 for U.S.-backed Research."

18 Now, because of time I will not take you through this article, but I  
19 encourage you to read it. And what it does is summarize the position of many of the key  
20 universities in the country who because of this cap are Under Recovery.

21 And what I believe you will find out is that if you are looking to the  
22 university sector to aid in this transition from a defense-oriented industrial research base to  
23 one of nondefense, you have got to insure that universities get full recovery for the  
24 federally-sponsored research that they conduct.

25 And to react to the misgivings or problems in one university, to penalize all  
26 of them, is going to make a self-fulfilling prophecy of driving universities out of federal  
27 research. And this is the time that I don't think you really want to have this happen  
28 because of the points that I made earlier.

29 So there are some challenges that are being made to university research that  
30 are critically important to the technical technological edge. So I would like to close my  
31 brief recommendations to offering three recommendations for the Commission's  
32 consideration.

33 And we would be pleased to meet with you later or to answer any  
34 questions, but I think it's important that your report reflect a contribution and importance  
35 of university research through the DOD national security objectives.

36 Even in the defense draw-down you've got to maintain this technical edge.  
37 We see that it has only been through this edge that we maintain superiority over the  
38 numbers of the Warsaw Pact when that was a problem. We are going to be living in a  
39 traditionally regional conflict potential where our forces have got to go long distances and  
40 apply with necessary force in carrying out national objectives, and they've got to have  
41 technology on their side and universities can play that role.

42 I would therefore urge you to in your report stress the maintenance of a  
43 strong R&D base along the lines of the fiscal year '93 budget, somewhere in the  
44 neighborhood of \$74 billions of dollars.

1 And universities should be given consideration in the basic and applied  
2 research that is going to provide the basis for the prototyping and other concepts that have  
3 been put forward in the budget.

4 And lastly, I would support full recovery procedures for university research  
5 and also permit differentiation of grants from contracts in governmental directives.

6 I would just briefly say that the auditing procedures under A-21 of the  
7 Office of Management and Budget does not recognize the difference in cost between  
8 administration, between that of a grant and that of a contract.

9 Georgia Tech, in particular the Georgia Tech Research Institute, does about  
10 95 percent of its research under contracts. And the reason for this underrecovery is that  
11 contracts cost more to administer than grants.

12 I could go into more detail on this, but we have made petitions to R&D on  
13 this. There is a study ongoing, but as I indicated to you, the cap was put on prior to the  
14 results of the study. So we are now at Georgia Tech laboring under an underrecovery  
15 situation.

16 And we are also seeing a drawdown in the amount of Department of  
17 Defense research, which it is somewhat unpredictable at this time as to how far it's going  
18 to go.

19 Certainly it is a matter of grave concern to us at the university that coupled  
20 with the drawdown in the defense budget with an underrecovery of full cost of research,  
21 faced with a state budget that makes research a fund source rather than a fund taker is  
22 perhaps putting the United States in an unfavorable position in the long run in achieving  
23 the objectives of -- the national objectives of the United States.

24 Thank you, Commissioners.

25 MR. HANLEY: I'd like to introduce Dr. Gary Poehlein -- or perhaps you  
26 would, sir.

27 MR. CAREY: Mr. Chairman.

28 CHAIRMAN BERTEAU: Mr. Carey, I really appreciate all your comments  
29 here, and we also appreciate the written information you've provided us. And of course  
30 we're certainly eager to get any other material you want us to have. I have one comment  
31 that I'll turn into a question, if you would, if you would indulge me.

32 With respect to maintenance of the federal funding for research and  
33 development, the FY-93 budget, as you note in your documentation, in fact is at a very  
34 high level historically, at almost \$75 billion. That's both defense research and  
35 development and civilian side research and development.

36 And our expectations are, and certainly the projection of the defense budget  
37 is, that the one place that will continue to be supported is the R&D because there's clearly  
38 a need for our nation to invest in that research and development both to maintain military  
39 superiority and to provide the economic growth base for the future.

40 Given that, though, you mentioned the potential role of the university in  
41 terms of transferring the technology that comes out of public research, whether it's done in  
42 the public laboratories or whether it's done by the universities under government funding  
43 in transitioning that to private companies for commercial development.

44 In looking through the material you have provided us here, it may be there

1 and I haven't found it, but we are particularly looking for some good success stories, if  
2 you would.

3 And I would ask you that if you're aware of a particular successful story in  
4 taking that technology and transferring it, a recent one, if you would, we would appreciate  
5 your making that information available to us.

6 MR. CAREY: Well, Dr. Poehlein perhaps in his remarks under the  
7 manufacturing technologies center -- Dr. Poehlein, I don't know whether you'll cover that  
8 or not.

9 CHAIRMAN BERTEAU: And if it's worthwhile, if it's something that you  
10 can provide us afterwards, we'd be happy to get that in that way as well.

11 MR. CAREY: Just to respond to your comment about the research base at  
12 the level of \$74, 75 billion, I think you need to look very carefully at that.

13 Certainly you have what you would say the heavy hitting research  
14 objectives, the superconducting supercollider, the space station. I think what we are  
15 concerned about is that when you are faced with perhaps a change of administrations, a  
16 defense drawdown, the only sort of soft area you have is either in force structure or in the  
17 investment account.

18 And so I would submit to you that I hope your statement in fact holds true;  
19 but if not, I think that the United States would be making a mistake.

20 CHAIRMAN BERTEAU: All right. We appreciate that.

21 Before we go on to Dr. Poehlein, I would ask any of my fellow  
22 commissioners if they have a particular question for Mr. Carey; otherwise, we'll proceed  
23 to Dr. Poehlein.

24 MR. HANLEY: All right, I should introduce Dr. Poehlein. He is the  
25 vice-president for interdisciplinary programs and professor of chemical engineering at  
26 Georgia Tech.

27 Sir, the floor is yours. Oh, I'm sorry.

28 COMMISSIONER LAVIN: We are not sure if the microphone is working.

29 MR. HANLEY: It should be live.

30 COMMISSIONER LAVIN: Okay.

31 MR. HANLEY: Go ahead, sir.

32 DR. POEHLEIN: I think my comments will be complementary to General  
33 Carey's. They're more focused on how the universities might become involved in helping  
34 with the defense conversion efforts from a personnel point of view.

35 My responsibilities at Georgia Tech are to bring people from different  
36 disciplines together to look at problems that require inputs from different backgrounds and  
37 to try to organize these people in teams to attack problems that are of interest to the  
38 industrial as well as governmental sectors.

39 So we are often involved in building partnerships that involve different  
40 entities in the government as well as industry in doing this. So one of the things that I  
41 wanted to talk about today is how universities might help with this problem.

42 One of the facts as you well know is many of the people in the services are  
43 technically trained people and in fact very well technically trained. They have been  
44 focused on military issues for some time. They made need or desire some additional

1 training in order to be able to apply this knowledge and in effect redirect it toward issues  
2 that would be appropriate for critical technologies, the economy of the United States,  
3 manufacturing and so forth.

4 We have had a large number of years of experience of having full-time  
5 military personnel come through our graduate programs, and those people tend to be very  
6 good and highly motivated students.

7 So to begin with, we would welcome a lot more of those people simply  
8 applying to our regular graduate program.

9 But the second area that I think we could offer some things that are  
10 different, two of our major centers, in fact probably the two newest buildings on the  
11 Georgia Tech campus are the Manufacturing Research Center and the Microelectronics  
12 Research Center.

13 These involve partnerships with external organizations, and I can think of  
14 one example. In the Manufacturing Research Center we now have five very large  
15 industrial organizations that are interested in microelectronics manufacturing that sponsor  
16 research there. It's a million-dollar commitment from each of those companies over a  
17 five-year period.

18 The most recent organization to become involved in that center is MICOM  
19 (phonetic) from the Army Mission Control facility.

20 So here is a collection of people that we thought initially would have some  
21 different agendas in terms of the kinds of research that they would want to support in  
22 terms of electronics manufacturing.

23 It's turned out not to be the case at all. They have very similar interests in  
24 generic and basic technology.

25 As General Carey has mentioned, much of our research that involves  
26 graduate students is supported externally. And so one of the things that we would  
27 propose that the Commission might consider is looking at perhaps enhancing or providing  
28 some incentive mechanisms for people who do want to pursue graduate degrees of being  
29 added to contracts or grants that we might have or might win in the future associated with  
30 various government agencies. And some of these in the case of manufacturing would be  
31 coupled with industrial people.

32 Many of our contracts have been aimed at specific problems, especially the  
33 DOD contracts in the past. And when one talks with the people that are funding these  
34 contracts, they have a sympathy for supporting the basic generic fundamental research, but  
35 the wherewithal is not always there to fund that activity.

36 As we continue with this kind of contract with not only DOD organizations  
37 but other components of the federal government, perhaps one could with some sort of  
38 programs and incentive programs build it so that universities such as Georgia Tech could  
39 really attract these people if they want to work for advanced degrees as part of ongoing  
40 programs that various components of the DOD or NASA or any other agency might be  
41 interested in pursuing.

42 We are clearly, I think, a leader among universities in the United States in  
43 involving industry in technology transfer and in coupling faculty from different disciplines  
44 to work on real problems with industry and government.

1           So I think there is some opportunity here for us to get personnel from the  
2 DOD that are looking for new career directions, tracked in an educational program that  
3 will put them in contact in some cases daily contact, with representatives from  
4 government and from industry.

5           In the Manufacturing Research Center, for example, one of the components  
6 of that program is that the supporting companies do have people at Georgia Tech full-time  
7 in offices working on this thing.

8           So we view this as a mechanism of redirecting people with skills that  
9 they've already developed and enhancing those through graduate education and contacts  
10 with industry on real problems that we think will contribute to the future economic benefit  
11 of this country. That's the main message.

12          CHAIRMAN BERTEAU: Dr. Poehlein, thank you. Let me ask a couple  
13 of questions, if I could.

14          If I understood you correctly, you were talking about incentives to assist  
15 getting these skilled defense people working on the research programs.

16          What kind of incentives would you envision there? What would it take to  
17 do that?

18          DR. POEHLEIN: There are several kinds of incentives. In general, the  
19 military people that we've had come through our graduate programs in the past have been  
20 full-time people that receive their normal salaries and so forth and so there's been  
21 absolutely no problem for them to do this. It's just like another assignment.

22          When you start talking about retirement incentives and separation  
23 incentives, those people could perhaps be in some alternative focused toward education.

24          There could be incentives through the organizations that we do contracts  
25 with to put an add-on on some of these contracts, especially the ones that are real  
26 mission-focused that would allow a person who was interested in pursuing a Ph.D., for  
27 example, to do generic work that would be related to that.

28          CHAIRMAN BERTEAU: So either the military will continue to pay these  
29 individuals in some way, shape, or form directly or would finance that through the  
30 research contract itself?

31          DR. POEHLEIN: Yes. Or through perhaps separation allowances that  
32 you're looking at for people that would be leaving. I notice you are especially interested  
33 in people between 15 and 20 years.

34          Could some of those allowances be targeted towards -- and maybe even  
35 enhanced a little for those who want to pursue a graduate education. We of course, as a  
36 state institution, are involved in significant subsidy of the people that come. We charge  
37 very little tuition for military people, for example, as contrasted to others. So there would  
38 be a cost-sharing element on the part of the Institution.

39          CHAIRMAN BERTEAU: All right. Let me ask if any of my fellow  
40 commissioners would like to raise any other questions.

41          COMMISSIONER MAY: Dr. Poehlein, I was wondering on this question  
42 of success you talk about transferring technologies and so forth.

43          Can you tell us more about that? We see a lot of theory along those lines,  
44 but we're hard pressed to find excellent examples where it really takes place.

1 DR. POEHLEIN: Well, my personal opinion is technology transfer takes  
2 place best on two feet. Okay. If you get people involved together, companies interacting  
3 with the people that are doing the research in the educational programs that they're  
4 interested in and they hire these people. But we've done some other things to promote  
5 that. For example, we now have I think in excess of 400 students involved in what we  
6 call a graduate co-op program, one of the few in the country.

7 But some of those people work on master's and doctoral thesis research at  
8 off-campus sites with companies or government labs with much of the work they are  
9 doing there being part of their master's thesis or doctoral dissertation. That's a direct  
10 transfer of the technology that they're learning there.

11 Let me give you a specific example. One of my recent Ph.D. students was  
12 working on a mathematical model that a company was interested in. He spent four  
13 months at that company integrating that into their software package so that they could use  
14 that in modeling -- and I happen to be a chemical engineer. This is a polymerization  
15 reaction.

16 We have had I think three students spend full summers with Monroe -- they  
17 happen to be one of the companies that supports our Manufacturing Research Center --  
18 along with faculty members in effect transferring their research activity at Georgia Tech.

19 And also equally important, perhaps even more important, coming back  
20 knowing more completely what the relevant problems are of the industrial organization  
21 that they're visiting. So it directs their research a little different in the future.

22 We have lots of technology transfer operations on the campus. We have  
23 probably one of the more successful incubator programs in the country which was aimed  
24 at starting up smaller companies as contrasting to transferring technology to large  
25 companies.

26 But it's the people interaction that's necessary to pull this off in my opinion.

27 COMMISSIONER MAY: Well, just a follow-up, though.

28 All those things are very impressive, but at the same time we're in a period  
29 where the economy is not growing. And so even though you're doing those kinds of  
30 things, you're not creating the 20 million jobs that were created in the '70s, the 18 million  
31 jobs that were created in the '80s. So how can we make recommendations to do the things  
32 you are doing even better so that we create 15 million jobs in the '90s and take care of the  
33 people who need opportunities to work?

34 MR. CAREY: Gary, may I offer? There's a program that was started in  
35 the State of which Georgia Tech has responsibility. It's called Advanced Technology  
36 Development Center.

37 DR. POEHLEIN: That's the incubator program.

38 MR. CAREY: Incubator program. And what that does, there are small  
39 offices and laboratories adjacent to the Georgia Tech campus.

40 And a certain individual who has an idea, not necessarily -- in fact, it's not  
41 related. Some of them have, for example, of transferring this type of data into selling it to  
42 governments and states for environmental reasons to determine crop infestations, to  
43 determine where land erosion has taken place.

44 A company called ERDAS (phonetic) was founded here at Georgia Tech.

1 And the Georgia Tech academic and research faculty and the management school were  
2 made available to this company to develop a business plan quarterly. They were brought  
3 before venture capitalists in order to transition them, and many of these companies have  
4 been successful. Now, right now this is done entirely within a very limited state budget.  
5 But if this were to be sort of given some sort of impetus, I'm certain that the transition of  
6 these technologies into tax-paying companies and jobs would be forthcoming.

7 DR. POEHLEIN: There's one other way of looking at this. Before joining  
8 the Georgia Tech faculty in '78, I spent 13 years at Lehigh University and I got to see  
9 what happened to Bethlehem Steel Company from '65 to '78. I think we have to not only  
10 be concerned about generating new jobs, but saving the ones that we currently have.

11 The chemical industry in this country is one of the few that generates a  
12 mammoth trade surplus, okay. If I'm correct, it's in the order of \$14 billion a year.

13 If we don't maintain that, we will lose a lot of jobs. And so I think we  
14 have to look at both sides of that coin, how can we -- you know, one of the things we  
15 were very concerned about in the State of Georgia is some very large employers here are  
16 textiles, pulp and paper. Those are at-risk industries, in my opinion, for different reasons.

17 And it's very important to have things like the Advanced Technology  
18 Development Center to incubate small new companies. But if we lose textiles and pulp  
19 and paper, we aren't going to gain those back with a lot of little companies, at least in  
20 next decade or two.

21 So we're very concerned about really providing technology transfers to our  
22 mature industries that are doing well as well as trying to look at new ones.

23 CHAIRMAN BERTEAU: Great. We will take that very much under  
24 advisement. I think Mrs. Higgins has one minor question.

25 COMMISSIONER HIGGINS: I do.

26 General Carey, Dr. Poehlein, you've both touched on this somewhat. You  
27 recognize, as we do, that there are some very, very highly skilled, highly trained people  
28 getting out of the military, many of whom have gone through your three-year institution.

29 We are finding that many of these people who have been practicing their  
30 trade and practicing what they do best for years in the military and find jobs on the  
31 outside, high paying jobs that they are ready, willing, and able to assume are not able to  
32 do that because of sometimes artificial barriers due to certification.

33 We at the Department of Labor are quite interested in exploring what these  
34 artificial barriers are and seeing if they can be eliminated in some way so that when there  
35 are in fact jobs and skilled veterans to fill those jobs that we can go ahead and do that.

36 Have you done any research into that? Have you got any thoughts about  
37 that?

38 DR. POEHLEIN: We hire a lot of those people. There's one right there  
39 (indicating). And in fact I'm currently heading a search for a pretty high level position.  
40 And clearly one of the people we are going to interview is a separating military person.

41 I don't really have a strong understanding as to what the barriers are. We're  
42 certainly willing to look at people.

43 We start looking for people for regular faculty positions, then there are  
44 some barriers. And if we're looking at somebody say that's been 15 to 20 years past their



1 degree, you start looking at publication records. What's the justification for hiring  
2 somebody at a full professor level when you have lots of people coming out with fresh  
3 Ph.D.'s and who have even eight or ten publications at that point.

4 This is not just military, but it would be true of senior industrial people too.  
5 There are a lot of very talented people that are being cut from -- we find it hard to hire  
6 them in regular faculty positions unless they've been in really upstream research where  
7 they've been able to publish and get out into their societies and make a name for  
8 themselves, even though some of them could be useful.

9 COMMISSIONER HIGGINS: I'm talking even more broadly than -- of  
10 course the educational field is the one that jumps out at you and that's the one you're most  
11 experienced at. But because you're so technologically oriented, I was thinking, for  
12 example, the health field.

13 We've got corpsmen who can't go out in the medical field and they're  
14 needed in other technological fields that you're involved with.

15 MR. CAREY: I think we could make a contribution. I would surmise,  
16 without having studied it, that the barriers are the transference of a skill of a radar  
17 operator or a mechanic in the motor pool. How transferrable are his skills in the civilian  
18 sector? Could he go out and work for Scientific Atlanta in the satellite receiving or in  
19 some other area.

20 We, I think, under the right incentives could provide a program that would  
21 help in that transition.

22 Right now, as an educational institution, we are primarily oriented towards  
23 degree-granting programs and a large number of short courses through continuing  
24 education. But I'm certain that given the right incentives that there could be a program  
25 that could be developed to reduce these barriers and provide -- because especially as the  
26 economy is turning around -- I know you know this better than I do -- companies are --  
27 the last thing they're going to do is increase inventories and hire new people.

28 And so the question is how to get these people ready so when that economy  
29 turns around -- and that could be done through an infusion of courses in certain  
30 technologies and mathematics because of the strong skills that the people have in the  
31 military at this time.

32 Gary, you might want to comment on that.

33 CHAIRMAN BERTEAU: Well, gentlemen, let me in the interest of our  
34 other witnesses who are waiting their turn to come up here, I think that you probably have  
35 some additional thoughts that you would like to give them us on that. I would invite you  
36 in fact to put those together and send them along to us.

37 I think this is a very serious question and one that is worth your ideas on.  
38 I would like to thank you all for coming here today. And I think in the interest of getting  
39 on with other witnesses --

40 DR. POEHLEIN: Thank you for listening to us.

41 MR. CAREY: I might be interested at some time as to where you think  
42 your recommendations are going to go and what sort of an impact they might have on the  
43 problem facing -- one of the things that we wanted -- and you can do that after the next  
44 witness. We'll be glad to stand by. But I'd be interested sort of in what you feel the

1 Defense Conversion Commission's output would be and its impact.

2 CHAIRMAN BERTEAU: This being the first hearing of a whole series  
3 around the country, I have to tell you that if I thought we already had the answers we  
4 wouldn't need to be going out asking the questions. So we're not going to be able to  
5 enlighten you a lot whole lot in terms of what our thoughts are there until we've been  
6 another couple of months down the road.

7 Thank you, gentlemen.

8 DR. POEHLEIN: Thank you.

9 MR. CAREY: Thank you.

10 MR. HANLEY: Thank you. The next witness is Roy D. Terry. Mr. Terry  
11 is the president of Terry Manufacturing Company in Roanoke, Alabama. The company  
12 makes uniforms.

13 We have a sort of makeshift set-up with the name tags, Mr. Terry. Perhaps  
14 you'd like to just take General Carey's -- great. Thank you. Welcome to the commission  
15 hearings, Mr. Terry.

16 MR. TERRY: Thank you very much, Mr. Chairman, commission members.  
17 I want to thank you for the opportunity to speak on the very important and timely subject  
18 matter of this commission hearing.

19 Our company, Terry Manufacturing Company of Roanoke, Alabama,  
20 recently entered into a unique and innovative arrangement, an arrangement with the  
21 Defense Personnel Support Center and McDonald's Corporation which I feel will be of  
22 interest to this body. I will describe this arrangement momentarily.

23 However, first of all, just to put it into perspective, I'll tell you just a little  
24 bit about Terry Manufacturing Company.

25 Terry Manufacturing, as I mentioned, located in Roanoke, Alabama, about  
26 75 miles from Atlanta, will in 1993 celebrate its 30th year as the nation's leading  
27 black-owned and operated apparel manufacturer. Beginning in 1963 with five employees,  
28 Terry has grown steadily in employees and revenue to almost 300 employees and some  
29 \$17 million in annual sales.

30 More importantly, Terry's capabilities have grown over the years through  
31 experience with customers such as McDonald's, the U.S. Department of Defense, Burger  
32 King, U.S. Forest Service, Church's Fried Chicken, Sears, J.C. Penney, et cetera.

33 Terry is now recognized as a leader in automation, in computerization, and  
34 can perform in-house all of the operations in the process of designing, manufacturing,  
35 marketing, and distributing almost any apparel or related items.

36 The key to Terry's success so far we would say would be the superb staff  
37 which is among the best trained and highly motivated in the industry. Terry's standards for  
38 quality and excellence in products and customer service are well-known in the apparel  
39 industry and elsewhere. Terry has received awards and recognitions such as the  
40 Presidential Minority Manufacturer of the Year Award, Desert Storm Award, the National  
41 '88 Graduate of the Year Award.

42 The company is owned by myself and my brother, Rudolph. Both of us  
43 graduated from Morehouse College in business administration here in Atlanta.

44 Now, back to the subject at hand, which is this unique three-party

1 arrangement that I mentioned. This arrangement is the first in history "shared-production  
2 arrangement" which was signed by Terry, Defense Personnel Support Center out of  
3 Philadelphia, and McDonald's Corporation of Oak Brook, Illinois, the hamburger people,  
4 at a well-attended ceremony at our plant on June 16, 1992.

5 This arrangement deals with the issue of defense cutbacks, decreasing  
6 budgets, decreasing troop levels, et cetera, while still recognizing the often overlooked fact  
7 that the Defense Department is still charged with the duty of somehow being ready and  
8 able to respond to any war or national emergency situation in the future.

9 With all of the publicity which resulted from this ceremony, I've been asked  
10 a number of times over the past several weeks to describe my concept of what shared  
11 production is and why it is important to all of us. My answer is that shared production is  
12 an arrangement in which a military supplier enhances the military's ability to respond to  
13 potential national emergencies by cross-training commercial line production workers on  
14 military items so that if necessary the rate of production of the military items can be  
15 rapidly increased.

16 In order for such an arrangement to work, the cooperation of the customer  
17 for the potentially affected civilian items must support the process.

18 To put all of this in simple terms and in the context of what we are doing  
19 today, Terry Manufacturing Company is agreeing to be ready in case of a national  
20 emergency to rapidly increase the number of camouflage coats produced each week for  
21 the Defense Personnel Support Center. In order to be ready and able to do this, we are  
22 now in the process of cross-training on certain key camouflage coat operations some 32  
23 employees who would normally make McDonald's pants and other McDonald's apparel.

24 If, God forbid, another Desert Storm or other such emergency should arise,  
25 this National Guard of sewing machine operators will immediately switch from  
26 McDonald's pants to camouflage coats, thus rapidly increasing our production level on  
27 these critical items.

28 Needless to say, we needed and have received McDonald's understanding  
29 and indeed enthusiastic support for this plan. Of course we are also developing  
30 contingency plans to make sure that our McDonald's customers will not be permanently  
31 affected by the implementation of this plan.

32 This contract, which is valued at some \$10 million for the first year and is  
33 likely to continue at a similar level for two additional years, is very timely for Terry  
34 Manufacturing Company and our employees. It guarantees stability and continuity of  
35 production and jobs during some very perilous times. It also creates an atmosphere in  
36 which we can effectively test and implement not only this shared production concept but  
37 other improvements in technology, quality control, and service to our customers as well.

38 We feel that it is also very important and timely that the Defense  
39 Department should begin to consider and to implement such good, common sense,  
40 business-like approaches to the perplexing problem of maintaining military readiness  
41 during a time of shrinking budgets and decreasing troop levels.

42 Certainly we feel that it is extremely important that one of the nation's  
43 largest and most respected corporation, McDonald's, would join with us in supporting this  
44 effort to improve the way that we and the government do business.

1 To personalize this to a small extent, I would like to publicly thank Bob  
2 Molino of DPSC who happens to be here today after a site visit following up on our  
3 contract in Alabama yesterday, and also Pat Flynn who is an executive VP of McDonald's,  
4 for being the visionaries that they are and for seeing merit in what many persons  
5 originally perceived as a rather radical idea.

6 We certainly do not claim that this shared-production concept is the answer  
7 to the defense conversion problems of every company. However, I do feel that it has  
8 widespread applicability, and I do know that in fact the Defense Personnel Support Center  
9 is already in the process of trying to forge other similar arrangements in clothing, food,  
10 and medical supplies now that a successful model has been established.

11 We invite this distinguished panel to visit the great city of Roanoke,  
12 Alabama, and to observe shared-production in action. I want to again thank you for  
13 allowing us to participate.

14 We are also submitting for the record a number of documents which will  
15 give you more details on this project.

16 CHAIRMAN BERTEAU: Mr. Terry, that's an excellent presentation and I  
17 want to express our appreciation for your laying that out for us.

18 I think the concept of shared-production is one that we have not looked at  
19 as a commission. I think it has a marvelous potential and we look forward and I think we  
20 will be back with you and talk with you further about that in other communications.

21 Let me ask a couple of questions, if I could, just in terms of the way that  
22 this will be implemented.

23 As you train these people to essentially shift over, they're going to use the  
24 same equipment and the same facility basically to produce the desert camouflage gear that  
25 they're using now to produce the McDonald's uniforms?

26 MR. TERRY: Not completely. The McDonald's uniforms and the  
27 camouflage uniforms do not necessarily always have compatible operations. So there is  
28 extra equipment that we have bought and have available. And there's quite a bit of  
29 training because sometimes even the type of machine that the person is working on is  
30 different. But the operators are now almost finished with their training.

31 We plan to certify to the Defense Department this Friday, as a matter of  
32 fact, that the training is done. And those people have been able to adapt from their  
33 McDonald's skills to the Defense Department skills.

34 A part of our experiment, our test, will be to see how much maintenance  
35 training will it take in order to hold these levels so that when called upon we will be able  
36 to respond.

37 CHAIRMAN BERTEAU: Let me ask you one other thing: Clearly there's  
38 some advantage to the Defense Department not only in being able to rely upon you if an  
39 emergency would require it, but it could possibly prevent the Defense Department from  
40 having to buy additional stock and then store it in a warehouse somewhere as a hedge  
41 against that.

42 Do you have to have the raw material on hand in order to do this, or where  
43 will you get your material from in the event that you're called upon to switch over?

44 MR. TERRY: Well, a part of what we will be doing as this program goes

1 forward, we will have to try to build some of this same capability into the whole supply  
2 pipeline.

3 At the moment, of course, we are able to have enough supplies of our own  
4 on hand. But certainly it is going to require the cooperation of the Defense Department.  
5 Perhaps there would have to be certain types of raw material that would be stored or at  
6 least contracted within the textile community so that they could respond just as rapidly as  
7 we can.

8 CHAIRMAN BERTEAU: All right. Thank you. Do any of my other  
9 commissioners have any additional questions they'd like to address to Mr. Terry?

10 COMMISSIONER LAVIN: I've got a quick question.

11 CHAIRMAN BERTEAU: Mr. Lavin.

12 COMMISSIONER LAVIN: I can completely understand the advantages  
13 this has to both the Defense Department, to your company, and to McDonald's. What is  
14 the initial outlay in terms of resources? I understand you're really in a position of almost  
15 -- you're on retainer in effect with the Defense Department whereby if another war occurs  
16 that you would be the supplier, you'd be the automatic supplier for some of these  
17 uniforms.

18 And I understand that McDonald's I guess is really just -- you're asking for  
19 their patience in diverting resources that they would normally get.

20 How does the resources in terms of financial in the beginning? Who pays  
21 for the machines, et cetera?

22 MR. TERRY: Well, in terms of this initial round, Terry Manufacturing  
23 Company is supplying the additional equipment. We made the proposal in that manner.

24 However, if this test is expanded -- for instance, in this test we have built  
25 in a 20 percent surge capacity. Instead of performing at our current peacetime 100  
26 percent, we are saying we would be able to move immediately to 120 percent.

27 Now, if we should try to build that to say 150 percent, 200 percent,  
28 certainly we would need help from the Defense Department in order to do that.

29 But as far as the resources, the Defense Department did supply the money  
30 to help in the training. They are helping us with that. Also, the premium paid is going to  
31 be used in the test. There is going to be a two-month test when the Defense Department  
32 will call Terry Manufacturing Company and say, okay, pretend that there is a  
33 mobilization, show us that you can do this. And so we will have some premium paid  
34 where we are pulling people off of their normal operations and they are participating with  
35 that.

36 But we are really talking about less than \$100,000 that the Defense  
37 Department is having to put into this. The other resources we are putting in so it's really  
38 not a very expensive process at the moment.

39 CHAIRMAN BERTEAU: Mr. Terry, when is that test scheduled for? Or  
40 you don't know? Is that the deal, they won't tell you ahead of time?

41 MR. TERRY: That's the deal, that we don't know. However, we do know  
42 that it's going to happen this fall because it's built into the first six months of the contract.

43 So we would expect that sometime in the fall of this year we will receive  
44 that call. And based on what's happening in the world, we hope that it is a mock situation

1 rather than a real one.

2 CHAIRMAN BERTEAU: So do we. Let me invite you -- our  
3 Commission's timetable, of course, we owe our report to the Secretary by December 31st.  
4 Assuming that your test is conducted and you have some results from that in advance of  
5 that time, we would really appreciate hearing from you how it goes. Both up and down,  
6 the pros and the cons. And we would really appreciate that.

7 Any further questions?

8 COMMISSIONER MAY: Whose good idea was this?

9 MR. TERRY: It was a combination idea from Terry Manufacturing and  
10 from Defense. The people at Defense Personnel Support Center have for the last couple  
11 of years been saying that they wanted new ideas and new programs to try to meet these  
12 needs.

13 Terry Manufacturing Company, having experience in the commercial sector,  
14 was able to actually put some details to it.

15 So I would have to say that it was a collaboration on the part of Defense  
16 Personnel Support Center, specifically Bob Molino, and Terry Manufacturing Company.

17 CHAIRMAN BERTEAU: Well, let me tell you, sir, if we get a good story  
18 like this out of every place we go to, our time is going to be very well-spent. Thank you  
19 very much, Mr. Terry.

20 MR. TERRY: Thank you.

21 MR. HANLEY: Thank you, Mr. Terry. The next witness is Mr. Robert E.  
22 David from the South Carolina Employment Commission.

23 Mr. David, are you ready?

24 CHAIRMAN BERTEAU: Mr. David, we welcome you. We look forward  
25 to hearing from you this afternoon.

26 MR. DAVID: Thank you, Mr. Chairman.

27 My name is Robert E. David. I am the executive director of the South  
28 Carolina Employment Security Commission. I am the senior state employment security  
29 administrator in the nation, I believe, with a little over 17 years in my present position.

30 My testimony today will reflect that experience and that point of view. But  
31 I'd like to add that I'm a veteran of World War II, Korea, and Vietnam, and have served  
32 in the American Legion as department commander, and I now serve and have been  
33 serving for the past four years as economic advisor to the national commander of the  
34 American Legion.

35 I am an active life member of the major veterans organizations. Currently,  
36 I chair the Veterans Affairs Committee of the Interstate Conference of the Employment  
37 Security Agencies.

38 I know that I am preaching to the choir here today when I say that this  
39 nation owes its very existence to our veterans. In my opinion, nothing is too good for  
40 them.

41 Possibly no segment of the American work force is experiencing as much  
42 change and faces as much job insecurity as an American military veteran. And this  
43 situation will become more pronounced as the military buildddown accelerates.

44 When one looks at this current year and the next three years, what we see

1 is that the American active military forces are adding roughly 365,000 new veterans to the  
2 civilian job market each year.

3 In addition to the active military personnel, the coming years will see a  
4 reduction of almost 130,000 in Department of Defense civilians who are veterans.  
5 Potentially another 50,000 DOD veterans could be entering the civilian job market through  
6 1995.

7 Further, a third component of employed Americans will be competing for  
8 the civilian jobs because of the military builddown.

9 This segment is composed of those who worked for defense-related  
10 employers and could easily approach the 500,000 skilled workers. A large percent of  
11 these are veterans.

12 Our nation's employment service is confronted by an event, that is, a U.S.  
13 military builddown, which will push as many as one million Americans into the civilian  
14 work force over the next four years.

15 And of these, roughly 500,000 will be veterans, either instant veterans  
16 created by accelerated military discharges, or more established veterans working for DOD  
17 or civilian contractors.

18 To help in the transition of American military service members to the  
19 civilian work force, the Department of Labor, as you know, with the help of the respective  
20 military services and the Department of Veterans Affairs, has developed the Transition  
21 Assistance Program called TAP.

22 We believe this is a highly effective program. The Transition Assistance  
23 Program objectives are absolutely correct and provide for the proper focus.

24 My overall assessment is that for the first time we have a comprehensive  
25 system to prepare military personnel leaving the service in a caring and organized manner.

26 Notwithstanding the many success stories that can be quoted as a result of  
27 TAP, much more needs to be done.

28 To my knowledge, there is no budget developed or coordinated among the  
29 DOD, DOL, and DBA to support TAP; therefore, it is unknown what TAP will cost the  
30 taxpayers or what it should cost. This has generated some disagreements among the  
31 military departments and DOL as to who should provide the resources for TAP  
32 workshops.

33 The military departments have begun to develop their own programs. There  
34 is a need to develop a proper budget process with someone in charge in order to avoid  
35 costly waste of resources and duplication of efforts.

36 All TAP documents, even the policy letters, the military departments,  
37 federal and state agencies, all agree that duplication should be avoided, yet duplication has  
38 occurred in this program.

39 The two best examples to illustrate are, number one, Defense Outplacement  
40 Referral System, and that's DORS, and the Interstate Job Bank. The DORS is an  
41 employment referral system developed to assist DOD employees and their spouses in their  
42 transition to civilian employment. It provides automated mini-resumes of military and  
43 civilian personnel to potential employers who buy into the system. This computer system  
44 is in DOD installations throughout our nation.

1           The Interstate Job Bank is the nation's employment automated system that  
2 links the employers' job service, and their potential employees. The main objective is to  
3 assist the potential employee to find a job. This system is located now in 2,300 offices  
4 throughout this nation.

5           To be cost effective, we need only one system. Maybe these two systems  
6 could blend together in a cost effective way.

7           Job assistance centers and job service. The Job Assistance Center, that is,  
8 contracts with the Army, co-located with ACAP (phonetic) in over 50 Army sites  
9 throughout the world conducts training in "How to Find a Job." It provides individual  
10 assistance, counseling, referral services, and conducts workshops and seminars for service  
11 members.

12           The states' job service offices are functionally organized as part of the  
13 employment security system in these 2,300 offices throughout the nation. They do job  
14 search training, strategies; they provide strategies, classes on strategies, job interview  
15 technique sessions, referrals, and resume writing and job placement.

16           Our state alone placed 130,000 people in jobs last year. The ideal solution  
17 here is to encourage the Army to contract for these services with the State Employment  
18 Security Agencies, an already established national system for veterans' employment  
19 programs. This would prove to be efficient and cost effective. Overseas installations that  
20 have those contracts would have need of some special consideration.

21           I fully understand and I commend the commitment that the DOD and the  
22 various military departments have in assuring a smooth and meaningful transition to  
23 civilian life for separating military personnel.

24           However, where transition services and activities involving employment are  
25 concerned, the state employment security job services should be more involved.

26           In summary, we should establish as a first priority to vigorously work  
27 together to resolve the issues of funding and duplication. This will assure more efficiency  
28 and greater cooperation at all levels. Recently, memorandums of understanding between  
29 the United States Army, United States Air Force, and the state of South Carolina were  
30 signed by Secretary Stone, Secretary Cooper, and South Carolina's Governor Campbell.

31           These department agreements provide for the implementation of a plan to  
32 assist the military and civilian employees and their families to successfully transition from  
33 the services into South Carolina's work force and communities.

34           The Employment Security Commission has a lead role of coordinating the  
35 state's activities to assure a smooth transition of service men and woman.

36           The South Carolina Employment Security Commission is a part of a  
37 nationwide employment service system designed to help employers and employees find  
38 each other.

39           Through a computerized network in more than 2,300 job service offices --  
40 we have 39 in our state of South Carolina -- employers have the opportunity to explore  
41 thousands of professional and nonprofessional jobs that are listed. Employers rely on job  
42 service to help them find people for their jobs.

43           For example, I was notified yesterday that BMW, who is going to locate in  
44 South Carolina, will use job service to refer all of their applicants for their new jobs.



1           The job service helps employers choose the best worker for the job and  
2 helps to reduce turnover. Also, up-to-date information is provided on jobs and demand.

3           So the first stop your veterans should make, and they probably will make,  
4 is the local job service office, and they'll be back again and again and again. Our  
5 experience is most are back at least four times in their career.

6           A military assistance counsel comprised of 14 state and federal agencies has  
7 been established by our governor and a state transition plan has been completed.

8           We're in the execution phase and we're committed to insuring that those  
9 leaving the service, including family members, receive caring and meaningful assistance in  
10 establishing their second careers and in establishing their families in our state. There are  
11 many programs and services available to veterans in South Carolina.

12           And as an example, on this committee, the Military Assistance Committee,  
13 we have the commissioner on higher education. And he has a responsibility for the  
14 approval of veterans training programs, including those offered by educational institutions,  
15 apprenticeships, and on-the-job training in businesses and in industries.

16           I also include the State Department of Education which is exploring  
17 alternatives routes to teacher certification.

18           We have at least two that we will be working on: An NCO certification  
19 plan that Clemson College will be running, and another that will take in people with  
20 degrees and give them a very quick review and place them in a position to begin teaching  
21 in our public schools.

22           The South Carolina Technical and Comprehensive Education System with  
23 its 16 colleges is the state's largest post high school education system. These colleges  
24 offer one- and two-year educational and training programs in business, health, industry  
25 and the engineering technology field.

26           The Veterans Affairs regional and state offices are located in Columbia.  
27 They assist the veterans in obtaining federal and state benefits and provide a  
28 comprehensive program of public service and counseling to veterans and their dependents.

29           The State Federal Program of Vocational Rehabilitation provides a wide  
30 range of services for the individual who is handicapped as a result of physical or mental  
31 disability and who shows sufficient potential to benefit from services and become  
32 employed.

33           Currently we are working with Secretary Stone and Secretary Cooper to get  
34 advanced information on Army and Air Force personnel relocating to South Carolina.  
35 We've just recently within the last month received 1100 names from the Army, 180-day  
36 notification of us ahead of time of those that will be coming back, which now allows us  
37 to communicate with them, find out their needs before they actually get back to our state.

38           And one thing that we should remember, that they not only have job needs,  
39 but they have family needs. If they have handicapped people in their family, the state  
40 provides a service for that.

41           And many -- they may bring children home. Most will. They'll enter the  
42 public schools. And this work can be done ahead of time if the state is notified ahead of  
43 time when they're coming back.

44           Likewise, they also have people going to college. And we are now

1 communicating with them and hopefully will provide them the information that they will  
2 need in order to resettle in our state.

3 Despite the effectiveness of the Transition Assistance Program, it is not  
4 really the whole solution. The surge of new veterans as well as those newly displaced  
5 from civilian jobs because of the military build-down provides an opportunity for us to  
6 examine our employment and training services to veterans.

7 We must explore a revision of the Disabled Veterans Outreach Program, the  
8 Local Veterans Employment Program. And they're called DVOPs and LVERs (phonetic),  
9 they're in the job service system.

10 And this is necessitated by the sunset of the Vietnam era veterans bill  
11 that will -- has a formula now, but will be sunset in 1994.

12 We must review the mission and the intent of the current DVOP/LVER  
13 system and evaluate the capacity of meeting the employment and training needs of the  
14 surge of new veterans who will be entering the job market in the coming years. We must  
15 integrate the needs of these new veterans with the needs of those veterans currently  
16 requiring employment services.

17 Regarding the proposed Veterans Employment and Training Act of 1992, I  
18 see a direct relationship between the Transition Assistance Program and this Veterans  
19 Employment and Training Program with regards to counseling and the use of our  
20 resources.

21 Counseling is an integral part of three-day Transition Assistance Program;  
22 that is, the TAP workshops that we conduct monthly. And we do this in all seven of our  
23 sites in South Carolina.

24 These workshops are designed to help our soon-to-be-veterans make good  
25 decisions as they move from military to civilian life.

26 The information they receive has proved to be invaluable in the areas of  
27 personnel appraisal, career decisions, interviews, applying for jobs, job offers, veterans  
28 benefits.

29 Additionally, the bill comes at a critical time for the nation and our  
30 veterans. As you know, thousands of military personnel are in the process of being  
31 separated daily. Our economy is slowly improving, but the transition of this large number  
32 of military personnel into civilian life will create real problems.

33 The Veterans Employment and Training Act of 1992 will be an important  
34 incentive for employers to hire and train veterans. Employers need that incentive.

35 Now, there are several key points that I would like to make at this point.  
36 First, this multi-year program is exactly what America needs to prove our commitment to  
37 our veterans. But equally important is the fact that we will have the time to test ideas and  
38 improve the focus. Several years ago we implemented a program in South Carolina where  
39 we assisted a group of veterans to start their own businesses. The results were very good.  
40 The program not only helped deserving veterans, but it created a significant number of  
41 new jobs.

42 That is what this legislation can do and can accomplish, a positive impact  
43 on the overall economy. It will be an investment, not an expense. Second, in order to  
44 work, fiscal policy between the Congress and the administration should be clearly

1 established. Hopefully, the program once started would be allowed to run its full course  
2 and achieve its objectives.

3 Third, coordination between partners is essential to achieve success. What  
4 we've learned from the Transition Assistance Program should serve as a model.

5 A full partnership must be enjoined among DOL, DVA, DOD, the states,  
6 and the private sector. The Department of Labor should have full responsibility for  
7 implementing the hands-on provisions of this bill to include responsibility for support and  
8 assistance in their respective areas. This will prove more cost-effective.

9 The Employment Security System has the capability and commitment to get  
10 the job done. The system already is in place and sits at the very center of the nation's job  
11 network.

12 As you know, local employment offices throughout the country are staffed  
13 with personnel who specialize in serving and placing veterans. Of course here I'm  
14 referring to the DVOP's and the LVER's (phonetic). Of course they will be overwhelmed  
15 during the next few years. We would hope that adequate funding for their work would be  
16 provided.

17 I agree with the National Governors' Association that the best mechanism  
18 for building flexibility, targeted, and effective defense adjustment programs is to provide  
19 states with a full formula supplement that is based on defense-related employment and  
20 other factors to the EDWAA Governors' Reserve (phonetic) 40 Percent Fund.

21 The supplement would be used for defense-related adjustment activities  
22 authorized under JTPA Section 302(C)(1), including rapid response, state specific projects,  
23 supplemental allocations to substate grantees, coordination with employment security and  
24 technical assistance. This approach has the advantage of getting the funds out as  
25 expeditiously as possible, building on existing programs and service systems, insuring  
26 program design flexibility, and targeting areas affected by defense dislocations.

27 Finally, the ICESA Board of Directors and the new deputy secretary of  
28 labor have agreed to reestablish a real federal partnership.

29 It is our understanding that the new world order means dramatic changes in  
30 the United States economy, some of which will result in many transitions and dislocations.

31 Human development programs and the structure that delivers these program  
32 are essential to the national economic agenda.

33 Many of the federal and state programs that address human resources needs  
34 must be better coordinated at both the federal and the state level to make the best use of  
35 the limited resources that we have.

36 A true partnership between the U.S. Department of Labor and the states is  
37 critical in the delivery of workforce problem solutions.

38 In summary, the employment and training system that exists in our country  
39 today is a national asset that will help us through the period of uncertainty in security and  
40 change.

41 My last comment -- and I guess this is somewhat political in nature, but I'm  
42 very sincere about it -- to you is our nation is not ready for the military buildddown.

43 In view of the national recession, a buildddown now will only further  
44 aggravate an already difficult unemployment problem.

1 My recommendation is to postpone the buildddown for one year. This will  
2 provide additional time for coordination, for learning to budget together and planning  
3 together. This will also provide another year for our nation to further its recovery.

4 I do thank you for this opportunity to share my thoughts and experiences  
5 with you and I thank you most sincerely for your concern for America's veterans.

6 CHAIRMAN BERTEAU: Mr. David, I want to thank you for that  
7 outstanding presentation. I think you've covered the waterfront very well with respect to  
8 the programs that are there.

9 I would like to reflect a little bit on the numbers that you mentioned there.

10 Back during the 1980s when we had a stable active-duty military of around  
11 2.1, 2.2 million people, we were of course hiring about 300,000 new service members  
12 every year as new accessions and we had about that many going out the door as veterans  
13 who would go out into the job markets. So we were separating around 300,000 a year.

14 During the '90s you point out that we'll be separating more than that, up to  
15 360,000 I think is the number that you cite there. And of course we also will be bringing  
16 in substantially fewer because we're coming down to a military of 1.5 or 1.6 million. The  
17 difference, while not insignificant, is not all that large.

18 What I believe I hear from you is that there are some existing programs in  
19 the states that do work, that we need to make sure we focus on them as the basis for our  
20 actions, and that those programs that are working need to be fully funded.

21 You also point out I think a couple of additional areas where we might be  
22 able to make some improvements, and I want to thank you for that. Do any of my fellow  
23 commission members have any questions or comments they'd like to add?

24 Mr. Lavin.

25 COMMISSIONER LAVIN: I have not spoken to the Army about some of  
26 the points you've made here, but I would think that if I said to them that we should  
27 transfer the job assistance center to the states and either do away with or merge the two  
28 that their reaction would be that the job assistance center, for example, would be  
29 something that would be required for the specialized services that the veterans coming out  
30 or the displaced service men coming out need that may not be available in the states and  
31 maybe also that these displaced people may be lost in the mix of others that are coming to  
32 the state services.

33 How would you respond to that?

34 MR. DAVID: Well, I would respond -- I'm talking about there the contract  
35 with a civilian organization to provide services. I'm not talking about the services that the  
36 Army provides on the base.

37 I commend the Army and the Air Force. I think since I left the Army in  
38 1966 -- and there is a complete difference in the way we look at our military families on  
39 every post, in the Air Force, the Army. There are military family centers that are working  
40 on this problem, and they're working with us.

41 My criticism -- and I guess it's not criticism because I don't know what  
42 happened at the time that this contract was let.

43 What I've discovered in dealing with the Department of Defense, they  
44 hardly knew that the employment service existed. They're learning more about it now.

1 And we offered you a model of smooth working relations in South  
2 Carolina. And I would hope that this Commission would have an opportunity to visit our  
3 state and see what we've done. I think we're far ahead of most states.

4 CHAIRMAN BERTEAU: Mr. David, we thank you for that invitation.

5 COMMISSIONER MAY: Well, I just wanted to add my thanks to yours  
6 for an outstanding presentation. We appreciate your taking the time to collect your  
7 thoughts and present them so well.

8 MR. DAVID: Thank you, General.

9 And I'd like to present to you a tape which I'm sorry you won't have an  
10 opportunity to see, but maybe you can see it later.

11 This is the type program demonstration in South Carolina, and these are  
12 some of the meetings and things that -- it's short, but I think it would help if you'd like to  
13 see this when you have an opportunity.

14 CHAIRMAN BERTEAU: Thank you, sir. We'll bring that back.

15 MR. DAVID: I think you for giving me this rare opportunity.

16 CHAIRMAN BERTEAU: We appreciate that.

17 MR. DAVID: And I hope to see you when you come to South Carolina.

18 CHAIRMAN BERTEAU: All right, sir.

19 Let me invite -- if there are any members of the audience out there who  
20 have some contributions they would like to make, we would welcome your coming  
21 forward and making yourself available to Mr. Hanley.

22 At the moment, our next witness is not here. We're going to take the  
23 opportunity to take a short break right now and we'll reconvene shortly.

24 MR. HANLEY: If there is no one in the audience who is interested, Mrs.  
25 Crockett, I notice that we're honored to have you here. Are you interested in making a  
26 statement or --

27 MRS. CROCKETT: I do have some notes I can present, but I didn't write  
28 them down.

29 MR. HANLEY: Okay. That's fine. Perhaps we can do that after the break  
30 then, pick up with you.

31 (Whereupon, a recess was taken.)

32 MR. HANLEY: It's a great pleasure to introduce Mrs. Delores Crockett,  
33 who is the regional administrator of the Women's Bureau of Region 4 of the Department  
34 of Labor.

35 Mrs. Crockett, the floor is yours.

36 MRS. CROCKETT: Good afternoon and thank you very much.

37 To the Chairman and other commissioners, I appreciate this opportunity to  
38 share with you a few notes about the women.

39 And to paraphrase a former First Lady, Abigail Adams, I'm here primarily  
40 today to help us remember the ladies.

41 The Women's Bureau is the agency within the Department of Labor charged  
42 by Congress to look after the needs of working women. And since the '20s, the small  
43 agency that I head for the southeast region has primarily documented the working  
44 conditions of women and we have served as an advocate to improve women's working

1 conditions which would enable them to make a decent standard of living for themselves  
2 and for those that depend upon them.

3 Of course since the '20s the Bureau has changed in how we do that, but we  
4 have not basically changed in terms of our work force.

5 The entire Women's Bureau has a work force of fewer than 100. It is  
6 headed by a congressional appointee who is nominated by the President and confirmed by  
7 the Senate. The deputy director is also a political appointee.

8 And we have the same ten regional offices as the other Department of  
9 Labor configurations are. And in each of our ten regional offices we have a work force of  
10 three unless we can beg, borrow, or steal some other staff. My role as the regional  
11 administrator is to manage the office and to primarily develop programs for the women in  
12 the work force in the eight southeastern states.

13 What we primarily want to share with you or help you remember is that  
14 even though this effort is toward the veteran or the military person, we want you to  
15 remember that women veterans and women in the military are different from men veterans  
16 and men in the military, and our agency is the one that's primarily looking at those unique  
17 needs and differences that the women have.

18 We have encouraged the TAP system. We do have someone in the  
19 Department of Labor working with the TAP system to take the unique skills and training  
20 the women in the military have received to help them see that there is a role for them in  
21 the work force, in the civilian work force. So our primary emphasis is on helping the  
22 women to understand that they have problems, they have barriers that their male  
23 counterparts will not encounter. And there is a way to overcome them and to show that  
24 they have skills and interests that will in fact help employers reach their goals.

25 Women also bring other problems or barriers or unique I guess viewpoints  
26 to the work force, including the fact that as more women enter the work force they bring  
27 with them those work-family issues.

28 And so again the Women's Bureau has had a primary role in making sure  
29 employers understand that family issues are business issues. And that's primarily because  
30 women come into the work force with children and elders that are depending upon them.

31 The same would be the case with the military women. The military  
32 employee is not the same as the military spouse who in many cases is the wife of a  
33 military man. And so those differences also need to be taken into consideration.

34 So what we offer as a service are a number of things, and I just want to  
35 bring them to your attention.

36 First of all, the Women's Bureau, because we are so small, we work  
37 through others. We develop programs -- because of our expertise we can pretty much  
38 take a population and based on the input from the public that's affected, we can pretty  
39 much determine what will be a good program, employment and training program, to help  
40 that population.

41 And we have that kind of expertise for women that have other problems  
42 aside from being women. That includes young women who have their problems, older  
43 women or mature women, rural women. We even have a project now on mid-life women.

44 Did you know that women between 35 and 54 have unique problems also

1 in the work place? So whatever the woman's viewpoint is and where she is in life, aside  
2 from the fact that she's a woman, we have taken into consideration those unique entry  
3 skills and problems and pretty much have developed a model program to help them  
4 wherever it is in the country.

5 I sent to you through our people in Washington, which I hope is somewhere  
6 in your briefing books, a copy of a directory that the Bureau put out. It's called Directory  
7 of Nontraditional Training and Employment Programs Serving Women.

8 This is one of the services the Bureau has provided in direct response to the  
9 Secretary of Labor's Women in Skilled Trades Initiative, which because there are so few  
10 women working in skilled trades, which is one of the nontraditional areas for women, we  
11 now have a concerted effort to move women into that area.

12 And so many companies -- and many women don't know how to even  
13 access job training or employment opportunities in that area. And so we've developed a  
14 directory, which we hope you will look at as you're going throughout the country. And  
15 when someone says to you, well, there's not a program around here that can help us, or  
16 we don't know how to develop one, this is pretty much a laundry list of what is available.

17 CHAIRMAN BERTEAU: Mrs. Crockett, if I can interrupt. I'm sure we  
18 probably do have one, but if you could leave us that one --

19 MRS. CROCKETT: I will.

20 CHAIRMAN BERTEAU: -- we'll be glad to take that and make sure we've  
21 taken a look at that.

22 MRS. CROCKETT: Thank you. I'll leave you a complete packet that  
23 includes other publications the Woman's Bureau have.

24 We develop publications that deal with facts on particular issues of woman.  
25 So in this packet are pubs on skilled trades and other nontraditional emphasis that we as a  
26 Bureau have.

27 The other service we can provide is direct service to women that are in  
28 need, primarily through contracting with groups in the community that have good track  
29 records. And we've done it historically and we can continue to take again the unique need  
30 of the women in the area and work with them specifically.

31 One way we have had the biggest impact however is on training the people  
32 that work directly with the women. And we can offer this again. To train some of those  
33 same people that will be working with veterans that are getting ready to enter the labor  
34 force.

35 A lot of times your women don't even know they're veterans, let alone  
36 know that they have special problems and special skills. So we need to help them  
37 understand how to take those skills and market them, especially if they've learned  
38 nontraditional training inside the military.

39 Sometimes the personnel that are working with these people don't know that  
40 there's a special need or special skill. And so when they're giving a five-hour training  
41 session geared to our veterans, there's one person they are not treating as a unique  
42 individual. So again, we can provide training to the trainers and that way we can have a  
43 larger impact.

44 And I guess I just wanted to let you know that for the spouses they may

1 qualify for displaced homemaker program services which you may not be aware of where  
2 Congress has already allocated money for displaced homemakers.

3 Displaced homemakers -- the definition is a person, it's usually a woman,  
4 who because of a circumstance in life has lost her primary source of income. She,  
5 although may be educated, has not worked outside the home for a number of years,  
6 usually ten-plus years. Usually through divorce, death, or separation, suddenly she finds  
7 herself thrust out there in the world again, many times not even knowing how to balance a  
8 checkbook.

9 So there is probably one already devoted to that population, and in some  
10 cases your military spouses can qualify. And that kind of service is available through  
11 money allocated by Congress to the Department of Education in many of the vocational  
12 technical institutes throughout the country.

13 So it's not just a matter of developing something new for the population, it's  
14 also a matter of knowing what's available. And I guess I can summarize by offering the  
15 services of the Women's Bureau to help you weed through the masses of information to  
16 focus in on what's available and what can be developed on behalf of women, active and  
17 veteran in the military.

18 CHAIRMAN BERTEAU: Thank you, Mrs. Crockett. I think we very  
19 much appreciate your bringing this to our attention. And I know that I for one am  
20 inadequately informed, and I suspect I'm not the only person in America that is so, so we  
21 will look at that.

22 Let me ask, do any of my commission members have any specific questions  
23 they'd like to ask?

24 COMMISSIONER HIGGINS: I only have a comment.

25 This is an issue that, you know, as we explore the kinds of things that are  
26 available in the administration and the Department of Labor, of course we will, for your  
27 information, we are not simply concerned with veterans.

28 We realize here the fact that there are estimates of about 60 percent of  
29 those military service members separating are married. And because most of the service  
30 members are male, most of those spouses are female. So we realize it is a much larger  
31 problem besides just the female veterans --

32 MRS. CROCKETT: Yes.

33 COMMISSIONER HIGGINS: -- that there are an awful lot of other  
34 women who are being affected by this. So I thank you very much for bringing that our  
35 attention?

36 MRS. CROCKETT: Well, encourage them to use the services of the  
37 Displaced Homemaker Programs. And again, we have a directory that's available to  
38 whomever would like to have that. We work with them very closely.

39 Thank you.

40 CHAIRMAN BERTEAU: Thank you, Mrs. Crockett.

41 MRS. CROCKETT: Thank you for the opportunity. Shall I leave this with  
42 -- okay.

43 CHAIRMAN BERTEAU: That would be marvelous.

44 MRS. CROCKETT: Well, thank you very much.



1 CHAIRMAN BERTEAU: Thank you very much. Our next witness I think  
2 is --

3 MR. HANLEY: We're honored to have the county manager with us,  
4 General Stanford, who I think has some words for us also.

5 CHAIRMAN BERTEAU: General John H. Stanford, U.S. Army retired.  
6 Welcome.

7 MR. STANFORD: Well, this is just a great, great honor. Good to see you.

8 CHAIRMAN BERTEAU: John, I'm sorry we have to go to all this trouble  
9 just to come down and say hello to you, but I'm delighted that you managed to make it  
10 back in time for our hearing here today.

11 MR. STANFORD: I think it's very interesting that you discovered me by  
12 seeing my name up there and wondering whether or not I was one and the same persons.

13 It really, really is interesting that you would come and look at this subject.  
14 But I think I see it from a different perspective than I hear it being pitched.

15 And that is it's being pitched from the point of view that what are we going  
16 to do for these poor military and defense workers and others who are going to be  
17 displaced when in fact I find -- now, I'm out for a year and looking at a number of those  
18 that are coming to be interviewed -- when I find that in fact what you have, what you are  
19 doing is not producing a hardship for them, but it's the old trickle down theory.

20 There is no organization on the face of this earth that trains people harder,  
21 that teaches them leadership, that gives them the values of discipline, courage, family and  
22 togetherness than does the Department of Defense.

23 And what you're going to find is, is that there may be some initial problems  
24 with not having jobs initially, but ultimately they are going to be -- they're very intense  
25 people with talent. You can see it when they walk in the door. And they're going to  
26 displace a lot of others.

27 The way I calculate this and the way we used to calculate it -- remember, I  
28 used to work for a Secretary of Defense. And one of the things we used to tell Congress  
29 was that for every billion dollars there were 35,000.

30 So if you go from \$305 billion to \$260 billion and multiply that 45 times  
31 35, you end up with about a million and a half jobs out there in industry, plus a million  
32 people let's say that go from the Department of Defense. And if unemployment right now  
33 is somewhere around 10 million people, this is going to produce another 25 percent  
34 unemployment of people unemployed to those roles we already have.

35 But the problem I don't believe is going to be those people ultimately, I  
36 mean, by the time you apply all that down:

37 So I guess when you look at where you're going, Department of Labor and  
38 Department of Defense, the question is is that you've got to look at what the aftermath of  
39 this is to what we have done to the unemployment roles.

40 And then that is the group of people that I think you need to focus on.  
41 And that to a large extent is a group of people which I am focusing on now as the county  
42 executive here in Fulton.

43 CHAIRMAN BERTEAU: Well, let me ask you, sir, would you see a  
44 similar situation -- you know, it's been observed to us that the workers in the defense

1 industry tend to be more highly skilled and better educated than the average industrial  
2 worker in America.

3 Would you see a similar displacement effect for those workers to be laid  
4 off?

5 MR. STANFORD: That 25 percent being laid off, when I included those  
6 two and a half million people, that 35,000 per billion dollars, those were defense workers  
7 I was talking about out there in local communities.

8 CHAIRMAN BERTEAU: Right.

9 MR. STANFORD: The other million I added were the civilians and the  
10 military people. But I was talking about a million and a half people out there in the  
11 community that are defense workers. They are highly skilled, highly educated, belonging  
12 to some very highly technical organizations. They've got skills which are transferrable.  
13 They will bump out of the system people who are less skilled.

14 CHAIRMAN BERTEAU: Your memory is excellent about the 35,000 per  
15 billion. I would point out that those were 1981 dollars. In today's dollars it's only about  
16 25,000 now. But you're still talking a million or more workers potentially being affected  
17 by that.

18 MR. STANFORD: If I could just add one thing. If the question then  
19 becomes -- and I guess it's the Department of Labor.

20 The question is as we're talking about jobs, if you're going to have that  
21 many jobs and you're asking for the impact, I mean, no society -- free market does not  
22 produce jobs just to be producing jobs.

23 You know, I heard someone ask you, well, what is it that you all intend to  
24 do, what is going to be the outcome of this. Free market societies don't produce jobs. If  
25 the jobs aren't out there, they're not there.

26 So therefore the question is: What do you do with regard to the  
27 sociological impacts that this is going to have on the country. And that's when I think  
28 you need to then ratchet down a couple of tiers to focus on programs.

29 And when I say ratchet down to look at a couple of programs, for example,  
30 one of the problems is that we find that in this county, and I think we find around the  
31 country, is that the governments no longer can afford at the local level to pay for all of  
32 the things that occur; for the jails, for the police, for the courts, for the police, for the  
33 sheriffs, for the marshals.

34 Those costs are astronomical and they're continuing to go up. You can't do  
35 it. You can't take care of the elderly, you can't -- you know, there are just no prevention  
36 programs to stop these things from happening. And so really if you wanted to focus some  
37 jobs somewhere, then they ought to be focused at the prevention side of the problem that  
38 we've got; that this will produce not for those who are now in the defense industry or  
39 actually wearing uniforms, but for those others. We are going to produce a greater  
40 hardship on those people that are there.

41 So one of the interesting things is: What is it that the Department of  
42 Defense really does so well, better than any other organization? You can call it a squad  
43 or a platoon or a company or a section or whatever. You know, what we did was we  
44 produced families. We produced and brought people together from all walks of life of

1 this society. And family is a different definition today, but we brought them together and  
2 they had a reason to belong and to believe, and they believed in something bigger than  
3 themselves. And we through the nature of what we were responsible to do taught them to  
4 do that.

5 The only reason why I mention that in terms of family is that if in fact on  
6 the one hand we can no longer afford to pay for the escalating costs of the things that  
7 have gone wrong -- and it's just absolutely crazy. I mean, we can't afford those costs.

8 On the one hand we refuse to turn to put the dollars in the prevention side.  
9 And so what you're going to have is you're going to put out another two and a half  
10 million people who are going to really fall through, but wouldn't if we could use the skills  
11 that we have in building strong organizations.

12 Call them families. Call them squads. Call them gangs. Call them  
13 whatever you want, but people out there are seeking to be bonded together in some way  
14 to contribute to the greater good. And no organization knows how to do that better than  
15 Defense.

16 You close an installation and its got a lot of barracks. I mean, people are  
17 calling talking about national service. You know, we don't have to compel people to do  
18 it. There are enough kids out there that would do it voluntarily, that would volunteer  
19 because they have no place to go and no hope.

20 We should provide, as we're trying to produce here, a county of hope by,  
21 for example, producing about 3,000 jobs.

22 These jobs don't exist, but what we're going to do is we're going to get  
23 3,000 jobs because there are things that need to be done in a free enterprise way there's no  
24 place for them to go. But what we intend to do instead of AFDC and food stamps, that  
25 there are things that need to be done.

26 And so we will then take people into a teaching program and teach them to  
27 do something and then keep them there in these protected jobs for a couple of years and  
28 then squeeze them back into the mainstream again. But before you give anybody  
29 anything, they're going to have to perform some work for it. We intend to produce some  
30 values and intend to -- if we can draw them into an organization, you can do that.

31 So I think when you all are looking at what is the impact of this, it is really  
32 not on defense or defense industry, it's a lot lower than that. And so therefore I think the  
33 focus of your dollars, your effort, your fix ought to be focused at that.

34 You're going to say, ah, the Defense Department is not a social institution,  
35 and that's unfortunate. Because in my 30 years in the Army, in the first 20 of them we  
36 were a social institution. We took young men and women off of the streets, maybe sent  
37 by judges or whatever, and we turned them around. We taught them values. We taught  
38 them how to be someplace on time, that their words had power, that respect for authority,  
39 respect for our country, and to believe in something bigger than they were and it worked.

40 It was a lot of hard work for us. It became a lot easier when we became a  
41 voluntary Army because we had the highest trained force in the world, all high school  
42 graduates, screened. I mean, how simple it became as a leader.

43 That's why all of our statistics look so good. I mean, the AWOLs went  
44 down and drug abuse went down and all those other sorts of things. We had the highest

1 trained work force in the world to be able to do that job. And, you know, as you focus  
2 your fix, focus it on places like Fulton County down here and places like that. Focus -- I  
3 know not the Defense Department, but focus the Department of Labor and Health and  
4 Human Services and other things. That's where the defense impact is going to fall.

5 CHAIRMAN BERTEAU: Well, thank you for pointing that out. I would  
6 note that our charter really does cover all federal programs, not just defense programs, and  
7 that is what we are charged both to look at and to make recommendations on.

8 I think you've raised a very interesting angle here that we'll have to make  
9 sure that we put enough analysis on that, that we have some idea of the extent to which  
10 this spill-over problem or the secondary displacement problem is in fact something that we  
11 can measure and perhaps do something about.

12 I think one of the means of evaluation that we use as we look at the  
13 existing programs and how well they are working may well be what is its impact on this  
14 question as well.

15 Let me invite you also -- I know that you may not have had quite as much  
16 time to prepare for this presentation and there may be things that occur to you afterwards.

17 We would welcome your views both on opportunities for us to do things  
18 that are not being done now as well as maybe some reinforcement of programs that are  
19 working well and opportunities that we could use to strengthen those.

20 So anything that comes to your attention over the ensuing months, we'd  
21 welcome your input on that as well.

22 Do any of my fellow commission members have any comments or  
23 questions they'd like to make?

24 COMMISSIONER MAY: I'd like to comment.

25 I thought you made an eloquent characterization of what the military did in  
26 the '60s and '70s in terms of taking Cat. IVs and turning them into soldiers, sailors,  
27 marine, and airmen.

28 At the same time, if you follow that logic and talk about some sort of  
29 national service plan in the '90s and the 21st century, it will have great benefit to the  
30 country, but in terms of the problem that we are looking at, there still will not be the jobs  
31 out there for these more qualified people to take when they come out of the military.

32 If I understood you right, you were talking about in Fulton County you're  
33 going to create jobs in some fashion. So instead of paying people just simply aid for  
34 dependent children, you're going to make them work for that. Is that the plan?

35 MR. STANFORD: The plan is we're going to try to do a number of things.  
36 And of course doing that really requires some work because there are some laws involved  
37 and lots of things that have to do with that. But, yes, with regard to -- we intend to create  
38 a dream.

39 Let's just take homes, for example. A situation where a person pays \$500  
40 or \$600 a month rent but can't afford to buy that apartment so what they need is someone  
41 to back them up with a loan to help them to buy so that they can now then earn and live  
42 and own something at the \$30,000 or the \$40,000 level. And then also help people at the  
43 \$40,000 to \$50,000, \$60,000 to \$70,000, \$70,000 to \$100,000, and to back them up so  
44 they can own.

1           The opiate of the masses is not religion, it's ownership. And once you start  
2 owning something and have the capacity to move up, then you buy into the system. And  
3 they become taxpayers, and taxpayers produce revenues which produce ability to pay for  
4 jobs.

5           Then that gets into these -- what we have is a work force here, if I can  
6 maybe characterize this as a balloon with an aneurysm on it. We have a work force.

7           And here in Atlanta the Olympics are coming. Everyone knows that at  
8 some point there are going to be 80,000 jobs just associated with those six weeks of the  
9 Olympics.

10          And people now are starting to come. And they come and the jobs aren't  
11 here and they end up as, you know, homeless or on welfare.

12          But what we need to do is through state government, federal government,  
13 city government, county government and the local community just to set aside -- find  
14 about 3,000 jobs of things that need to be done, protect those jobs.

15          And then through our Department of Family and Children's Services, which  
16 has a training program called the Peach Program, they train them and then we will take  
17 them into this program.

18          The Department of Family and Children's Services also gives away food  
19 stamps, housing subsistence, and many other things that before and while they're in that  
20 program -- before they can draw those other things to assist them they must work in that  
21 program. But these are about 3,000 jobs that we are going to protect.

22          Now, what you find is there are a lot of rules and laws and things that get  
23 in the way. For example, the county Public Works Department is not permitted to go on  
24 public property.

25          But we find out there that there are some neighborhoods -- this one  
26 neighborhood has about a \$150,000 project which they can't take on themselves. They just  
27 can't afford to do it, the homeowners can't. And it's not the county's responsibility to do it.

28          The builder now has moved on to something else and is no longer liable,  
29 but we believe that we can bring him back to do something. So what we really need to do  
30 is the county has got to change its thought about going on public property.

31          If the owners are willing to pay for the pipe and the materials and the  
32 builder is willing to come back and lend some money to help pay for design and drawing  
33 and the engineering that we need, then the county can take a labor force in, which we  
34 train through that training program, and then as a combination effort can do some  
35 community projects that need to be done, that left undone will cause this problem to  
36 become worse.

37          But on the one hand there we will be accomplishing some things that need  
38 to be done and paying them and assisting them and at the same time teaching them a skill.  
39 And then after a couple of years we squeeze that aneurysm because now we have taught  
40 them a skill.

41          And again, if you bring anybody into your organization, you can teach  
42 them. You can teach them values. And so we can do that for a couple of years and then  
43 try to squeeze them into the work force again. Hopefully, you know, as we continue to  
44 work, as the economy bounces back, all sorts of other things happen so that those jobs are

1 this. But if they're not there, someone is going to have to have a program to protect them.  
2 And so that's our approach.

3 COMMISSIONER MAY: Well, the can-do attitude is great. I wish you  
4 nothing but luck.

5 MR. STANFORD: Well, you know, these are very, very difficult, difficult  
6 times and problems with solutions are very difficult to find, but we are really working  
7 hard to do it.

8 I have to tell you that we are embarked on the six-year budgetary program  
9 to strengthen families and neighborhoods. And with a government of \$550 million, with  
10 everybody focusing on that one sole purpose, to tie together 5,000 churches, 3,000  
11 different organizations.

12 And in the Clausewitzian principles of war, you never bring forces together  
13 until you've identified the problem and then the principle of mass. And then you bring  
14 your forces and your mass together to win that particular victory.

15 What we have done I think across the country is that we've got all of these.  
16 As I said, the 5,000 churches and the 3,000 different organizations and we know what the  
17 problem is. But we just have not focused, now that we know what it is, to solve it  
18 because everybody is trying to do it independently.

19 And this focus, this kind of focus, that the organizations that you all  
20 represent is just so key.

21 Finally, I just want to say, what good are governments that don't make a  
22 difference in the daily lives of their people?

23 I mean, you know, we are at a level at which we are down there thinking  
24 six and seven, ten years out, but there's a daily reality out here. And what good are  
25 governments that don't focus on trying to improve that? And that's our responsibility.

26 I've got to tell you that at this level your help would be needed and  
27 appreciated from our local military installations.

28 I'm on the Atlanta project incidentally as well. And I have a cluster which  
29 sits right next to Ft. McPherson and the tri-cities, and so we need them to assist. We  
30 need the smart people out there to teach. We need -- for example, 100 percent of  
31 juveniles who commit crime have a record of truancy, 100 percent.

32 Now, with that kind of knowledge, why is it we don't have an anti-truancy  
33 program. How can we use education and keeping people in school and with the kind of  
34 motivation techniques, that we have out there -- and you take an organization like Forces  
35 Command that's designed to train reservists, but training principally is their thing, with all  
36 their motivational techniques, and help to turn around that kind of statistics. There is a  
37 way. There is a way with the force that remains and the force -- that residual force that  
38 you might maintain.

39 As a matter of fact, since you're going to discharge people, let me have  
40 them for 90 days before you discharge them.

41 Because that would do two things: One, that might help them get their foot  
42 in the door, you know, to do some other things. And two, we could take a great use of  
43 that talent.

44 So before you discharge them and they go on their terminal leave, let us

1 have them for 90 days before you do that. I'd be happy to organize them into some force  
2 for this good which government must do for people.

3 CHAIRMAN BERTEAU: Well, I think you've pointed out a number of  
4 areas where there's opportunity for some creative thought and creative application there.

5 And it may be that what you've hit on is the source of the true peace  
6 dividend which is being able to direct the resources that we've been spending on the Cold  
7 War for the last 48 years into solving some of the other problems that America faces in its  
8 future.

9 And I think that's what we're all about, is trying to figure out the best way  
10 to do that, so we appreciate your help on that.

11 MR. SANFORD: I know I keep rattling on.

12 CHAIRMAN BERTEAU: Absolutely.

13 MR. SANFORD: I just need to -- while I may sound rather Pollyannish, I  
14 need to explain one thing to you just so you understand I realize where you all are.

15 I was responsible to the secretary for intergovernmental affairs and  
16 interagency. We did not talk to -- we talked to cities and we talked to governors, but my  
17 responsibility was that we gave nothing to cities, we gave nothing to governors. We  
18 talked to them.

19 Because the Defense Department works through its contractors and in the  
20 businesses which are in those localities and which are in those states, notwithstanding  
21 what goes on over on the Hill to cause certain things to go to various states.

22 But nevertheless, from the Defense Department, our intergovernmental  
23 agencies' relationships were with contractors in that region, and so I understand that.

24 But essentially what I'm asking you to do is to bypass that particular thing  
25 because those contractors obviously aren't going to exist anymore.

26 To what extent do you then work the magic of the only organization in the  
27 city that's got any protein in it to work it toward cities and counties as opposed to the  
28 contractors who may no longer exist.

29 CHAIRMAN BERTEAU: And as I pointed out, of course our charter is  
30 well beyond DOD. And we're not constrained by that, nor are we constrained by the  
31 status quo. We clearly have the charter to take a fresh look at everything. You've given  
32 us a lot of food for thought.

33 Again, let me extend not only my thanks but again my invitation for you to  
34 expand or expound upon both the ideas you put here today and any others that may come  
35 to you over the next few weeks or so. We'll be glad to take them on because we  
36 appreciate your insight.

37 I think both your background and your current position give you a  
38 viewpoint that's very interesting and important to us

39 COMMISSIONER HIGGINS: Thank you, General Stanford, for reminding  
40 me how good it is to hear your ideas and how motivational you are.

41 MR. STANFORD: Thank you.

42 CHAIRMAN BERTEAU: Thank you very much. I can't imagine a better  
43 witness to have as our final witness here.

44 Before we conclude, let me extend one final invitation if there is anyone

1 who has anything they would like to offer at this time, you are welcome to come forward.  
2 If not, we will officially adjourn this hearing and thank the City of Atlanta  
3 and the county of Fulton County for hosting us, and for all the people who have helped us  
4 out over the last two days, we deeply appreciate everything and I'd like that to be  
5 reflected clearly on the record.

6 Thank you all.

7 (The hearing was concluded at 3:10 p.m.)

8 \* \* \* \* \*



**ATLANTA PUBLIC HEARING**  
**FINAL ATTENDANCE, AUGUST 6, 1992**

<u>Time</u>	<u>Name</u>	<u>Representation</u>
1:00 PM	David Berteau, Chairman	DCC Opening Remarks
1:05pm	Gerald J. Carey Jr.	Georgia Institute of Technology
1:20pm	Dr. Gary Poehlein	Georgia Institute of Technology
1:40pm	Roy D. Terry	Terry Manufacturing Company
1:55pm	Robert E. David	South Carolina Employment Commission
2:40pm	Delores L. Crockett	Regional Director Women's Bureau
2:50pm	Break	
3:00pm	Gen John Henry Standford, USA (RET)	County Manager Fulton County
3:25pm	David Berteau, Chairman	Closing Remarks

# **ATLANTA PUBLIC HEARING**

## **APPENDIX OF WRITTEN MATERIAL**

<u>Name</u>	<u>Written Material Presented</u>
Mr. Gerald J. Carey Dr. Gary Poehlien Appendix A	✧ Memorandum for Commission, "The Capabilities and Challenges Facing the University Sector Due to the Defense Drawdown--from the Georgia Tech Viewpoint"
Roy D. Terry Appendix B	✧ Prepared Remarks for Defense Conversion Commission
Robert E. David Appendix C	✧ Statement before Defense Conversion Commission
Delores L. Crockett Appendix D	✧ U.S. Department of Labor, Women's Bureau, Information Packet
Gen. John Henry Standford, USA (RET)	No written material provided

July 30, 1992

SUBJECT: The Capabilities and Challenges Facing the University Sector Due to the Defense Drawdown — from the Georgia Tech Viewpoint

TO: The Defense Conversion Commission

FROM: Gerald J. Carey, Jr., Major General, USAF (Ret)  
Associate Director, Georgia Tech Research Institute

Dr. Gary Poehlein  
Vice President for Interdisciplinary Programs  
Georgia Institute of Technology

1. The Research Sector

- The university sector plays a vital role in the U.S.'s ability to maintain the technological advantage in its military systems.
- The Defense Conversion Commission Report can assist in defining the future capabilities of this important sector.
- In its report to the Congress concerning Section 220 of Public Law 100-456 dated March 1989, the DoD spelled out certain "high priority university research programs" critical to national defense.
- Included in that report was Georgia Tech's "nationally recognized capability in electronic warfare."
- This electronic warfare capability was used significantly and recently in the Persian Gulf Desert Shield/Desert Storm combat — and recognized by General Ron Yates, USAF Commander of Air Force Systems Command.
- Additionally, Georgia Tech has demonstrated basic and applied research capabilities in 20 out of the 21 Defense Critical Technologies. See Tab A for Critical Technologies.
- There are direct applications to: signature control technology (Stealth), smart guidance for munitions, undersea sonar research, etc.

- The School of Industrial and Systems Engineering recently was awarded a contract to develop and conduct a graduate course — leading to an MS degree — in the discipline of Test and Evaluation.

- During FY92 the Georgia Institute of Technology conducted \$168.7 million of research of which \$106.2 million or 63% was for the Department of Defense. Currently we are experiencing a significant decrease in our DoD awards. Total DoD funding to Georgia Tech dropped \$19.2 million or 20.43% from FY91 to FY92. This research was conducted within the organizational structure shown at **Tab B**, either in the laboratories of GTRI, the Centers, within the Office of Interdisciplinary Programs or the Academic Colleges and Schools.

## 2. The Challenges to University Research

- In response to research irregularities uncovered at a small number of universities, the Office of Management and Budget through issuance of a change to Circular A-21, "Cost Principles for Educational Institutions," Federal Register Vol. 56, No. 192 dated October 3, 1991, limited reimbursement of administrative costs for overhead to 26% of modified total direct costs and effectively "froze" allocation methods to those in effect on May 1, 1991. (See Tab C for Highlighted A-21 Revision).

- This overhead recovery freeze and resultant underrecovery adversely impact a university like Georgia Tech which has large equipment investments in computing, antenna and anechoic ranges and the like. (See Tab D for 22 July 1992 Chronicle of Higher Education Article).

- This revision to overhead recovery was made prior to an ongoing study being conducted by the OMB and will significantly decrease the capability of universities to maintain cutting edge research capability needed to support national security objectives.

- A-21 also makes no differentiation between grants and contracts although contracts are administratively more costly to conduct than grants. (See Tab E for a recent list of contract requirements). Universities — including Georgia Tech — cannot underrecover costs for government sponsored research contracts (there is no fee or profit and the State cannot underwrite). In the long run this will cause serious damage to the DoD research objectives. Note: The industrial sector can now deduct full IR&D, bidding and proposal costs.

## 3. It is Therefore Recommended that the Commission:

- Reflect the contribution and importance of university research to the DoD national security objectives.

- Urge maintenance of a strong R&D base along the lines of the FY93 budget of approximately \$74 billion.

- Support full recovery procedures for university research and permit differentiation of grants from contracts in governmental directives.

#### 4. Defense Conversion/Advanced Education and Degrees

##### Facts

- Many service personnel are technically educated.
- Present and projected needs for scientists and engineers.
  - Private Sector
  - Government
  - Universities
  - K-12 Teachers/Innovators
- Import areas where contributions are needed.
  - Development of critical technologies
  - Economic development/enhanced manufacturing competitiveness
  - Education (K to post retirement)
  - Environmental science, technology and policy
  - Health services delivery
  - Information utilization and management, etc.
- Standard graduate degree programs.
- Graduate study coupled with work on DoD or other government R&D contracts.
- Graduate study coupled with industrial interactions.
  - Jointly defined projects
  - Internships
  - Project team participation

5. Recommendation

Georgia Tech has the capability and desire to participate in many of the programs included in Tab F and listed as follows:

- Teachers from Troops
- Dual Use Critical Technology
- Job Training Opportunities
- Assistance to State and Local Governments
- Removing Business Barriers
- Fund:
  - Regional and State Manufacturing Extension Service
  - Regional Technology Alliances
  - Grants for Regional and State Industrial Services
  - Trade and Export Assistance
  - Critical Technology Partnerships with Industry
- Extend R&D Tax Credit

To do this we have taken the list of 21 technologies and placed them in five clusters (see Figure 1). The clusters are a manageable way of looking at the vast array of opportunities available to us. They are a plausible way of organizing for action, a convenient way to illustrate broad themes. Our clusters also demonstrate the high degree of interdependence among these technologies in spite of their diversity. The clusters and their associated technologies are not unique, but they are useful in providing broad objectives.

Figure 1. Defense Critical Technologies Clusters

Critical Technologies	Computing/ Information	Sensing	Materials & Manufacturing	Energy & Material Flow Management	Infrastructure
1. Semiconductor Materials & Microelectronic Circuits	•	•	•		
2. Software Engineering	•		•	•	•
3. High Performance Computing	•	•	•	•	•
4. Machine Intelligence & Robotics	•		•	•	•
5. Simulation & Modeling	•			•	•
6. Photonics	•	•			
7. Sensitive Radars	•	•			
8. Passive Sensors		•	•		
9. Signal & Image Processing	•	•			
10. Signature Control		•	•		
11. Weapon System Environment		•			•
12. Data Fusion	•				
13. Computational Fluid Dynamics	•		•	•	
14. Air Breathing Propulsion			•	•	
15. Pulsed Power *			•	•	
16. Hypervelocity Projectiles & Propulsion	•		•	•	
17. High Energy Density Materials			•	•	
18. Composite Materials			•	•	
19. Superconductivity		•	•	•	
20. Biotechnology			•		
21. Flexible Manufacturing			•		•

\* Research Not Conducted

Table 1 Defense Critical Technologies

1	Semiconductor Materials & Microelectronic Circuits	The production and development of ultra-small integrated electronic devices for high-speed computers, sensitive receivers, automatic control, etc.
2	Software Engineering	The generation, maintenance, and enhancement of affordable and reliable software in a timely fashion.
3	High Performance Computing	High performance computing systems having $10^3$ fold improvements in computation capability and $10^2$ fold improvements in communication capability by 1996.
4	Machine Intelligence & Robotics	Incorporation of aspects of human "intelligence" into computational devices which enable intelligent function-of mechanical devices.
5	Simulation & Modeling	Visualization of complex processes and the testing of concepts and designs without building physical replicas.
6	Photonics	Includes ultra-low-loss fibers and optical components such as switches, couplers, and multiplexers for communications, navigation, etc.
7	Sensitive Radar	Radar sensors capable of detecting low-observable targets, or capable of non-cooperative target classification, recognition, and/or identification.
8	Passive Sensors	Sensors not needing to emit signals to detect targets, monitor the environment, or determine the status or condition of equipment.
9	Signal & Image Processing	Combination of computer architecture, algorithms, and microelectronic signal processing devices for near real-time automation of detection, classification, and tracking of targets.
10	Signature Control	The ability to control the target signature (radar, acoustic, optical, or other) and thereby enhance the survivability of vehicles and weapon systems.
11	Weapon System Environment	A detailed understanding of the natural environment (both data and models) and its influence on weapons system design and performance.
12	Data Fusion	The machine integration and/or interpretation of data and its presentation in convenient form to the human operator.
13	Computational Fluid Dynamics	The modeling of complex fluid flow to make dependable predictions by computing, thus saving time and money previously required for expensive facilities and experiments.
14	Air Breathing Propulsion	Light-weight, fuel efficient engines using atmospheric oxygen to support combustion.
15	Pulsed Power	The generation of repetitive, short-duration, high-peak power pulses with relatively light-weight, low-volume devices for weapons and sensors.
16	Hypervelocity Projectiles & Propulsion	The ability to propel projectiles to greater-than conventional velocities (over 2.0 km/sec), as well as understanding the behavior of projectiles and targets at such velocities.
17	High Energy Density Materials	Compositions of high-energy ingredients used as explosives, propellants, or pyrotechnics.
18	Composite Materials	Two or more constituent materials that are combined together in such a manner to produce a substance possessing selected properties superior to those of its individual components.
19	Superconductivity	Makes use of the zero resistance property and other unique and remarkable properties of superconductors for creation of high-performance sensors, electronic devices and subsystems, and supermagnet based systems.
20	Biotechnology	The systematic application of biology for an end use in military engineering or medicine.
21	Flexible Manufacturing	The integration of production process elements aimed at efficient, low cost operation for small, as well as high, volume part number variations, with rapidly changing requirements for end product attributes.



# GEORGIA INSTITUTE OF TECHNOLOGY

## OFFICE OF THE PRESIDENT

*Georgia Tech*  
RESEARCH INSTITUTE

OFFICE OF  
INTERDISCIPLINARY  
PROGRAMS

ACADEMIC  
COLLEGES & SCHOOLS

### 18 LABORATORIES

- Aerospace
- Communications
- Computer Science & Information Technology
- Concepts Analysis
- Countermeasures Development
- Economic Development
- Electronic Support Measures
- Electro - Optics
- Electromagnetic Environmental Effects
- Environmental Science & Technology
- Huntsville Research
- Material Science & Technology
- Microwave & Antenna Technology Development
- Modeling & Analysis
- Radar Systems Applications
- Radar & Instrumentation Development
- Signature Technology
- Threat Systems Development
- Advanced Technology Development Center

### 28 CENTERS

- Bioengineering
- Biotechnology
- Composites
- Computational Mechanics
- Dynamical Systems & Non - Linear Studies
- Emory - GT Biomedical Technology
- Environmental Resources
- Fusion Research
- International Strategy
- Manufacturing Research
- Material Handling
- Mechanical Properties
- Microelectronics
- Nuclear Research
- Optical Science & Engineering
- Technology Policy & Assessment
- Apparel Mfg Technology (GTRI)
- Architectural Conservation (ARCH)
- Computer Integrated Mfg (ENG)
- Construction Research (ARCH)
- Excellence in Rotary Wing Aircraft (AE)
- Fluid Properties (CHE)
- Georgia Productivity (GTPI)
- Health Systems (ISYE)
- Polymer Education & Research (ENG)
- Rehabilitation Technology (ARCH)
- Software Engineering (INFOT)
- Transportation Research & Education (CE)

### ENGINEERING

- Aerospace
- Chemical
- Civil
- Electrical
- Industrial & Systems
- Materials
- Mechanical
- Textile & Fiber

### ARCHITECTURE

- Architecture
- Building Construction
- City Planning
- Industrial Design
- Division of Fine Arts

### COMPUTING

### SCIENCES

- Biology
- Chemistry & Biochemistry
- Earth & Atmospheric
- Health & Performance
- Mathematics
- Physics
- Psychology
- Economics
- History, Technology & Society
- International Affairs
- Literature Communications & Culture
- Management
- Modern Languages
- Public Policy
- Aerospace Studies
- Military Science
- Naval Science

### IVAN ALLEN

*Georgia Tech*

RESEARCH INSTITUTE

# OFFICE OF MANAGEMENT AND BUDGET

## Revisions to Circular A-21, "Cost Principles for Educational Institutions"

AGENCY: Office of Management and Budget.

ACTION: Final Revision to Circular A-21, "Cost Principles for Educational Institutions."

**SUMMARY:** This revision implements the Office of Management and Budget's (OMB's) previously stated intention to revise Circular A-21 so as to exclude certain specified costs from reimbursements paid to colleges and universities under Federal research grants and to limit reimbursement for administrative costs.

OMB Director Darman said on April 22, 1991, "Recent information shows abuse in reimbursements claimed by universities for indirect costs supporting Government funded research. This requires additional guidelines to clarify policy and stop the abuse."

This revision represents the initial step in a broader Administration effort to reform Circular A-21 more comprehensively.

**DATES:** Some of the provisions published in this revision merely restate, emphasize or clarify existing provisions of the Circular or law. Those provisions (such as the inclusion of interest as a part of Federal recoveries in accordance with existing agency regulations) are effective immediately. Unchanged provisions (such as the unallowability of the costs of legal, accounting, and consulting services, and related costs, incurred in prosecuting claims against the Federal Government) remain in force. Revised provisions (such as the unallowability of the costs of defense against Federal Government claims) take effect on the dates specified.

**FOR FURTHER INFORMATION CONTACT:** Jack Sheehan, Financial Management Division, 10235 NEOB, OMB, Washington, DC 20503 (telephone: 202-385-3050).

### SUPPLEMENTARY INFORMATION:

#### A. Background

Notices were published in the Federal Register on May 15, 1991 (56 FR 22618) and June 27, 1991 (56 FR 29530) requesting comments on proposed revisions to OMB Circular A-21, "Cost Principles for Educational Institutions."

Interested parties were invited to submit comments. Almost 300 comments were received from Federal agencies, universities, professional organizations and others. All comments were

considered in developing this final revision.

The following section presents a summary of the major comments, grouped by subject, and a response to each comment, including a description of changes made as a result of the comment. Other changes have been made to increase clarity and readability.

#### B. Comments and Responses

##### Research Allocations

**Comment:** A number of commenters noted that this proposed revision was not a change in the existing policy of Circular A-21 and some questioned the need for any revision in view of this.

**Response:** The revision is intended to highlight the existing prohibition against charging Federal sponsors for any under-recovery of indirect costs arising from the conduct of research for any non-Federal sponsor.

**Comment:** A number of commenters misunderstood the proposed revision to prohibit cost sharing by universities conducting research for non-Federal entities especially State and local governments and non-profit organizations.

**Response:** The revision does not prohibit cost sharing by universities. However, no under-recovery of costs may be charged to Federal sponsors.

##### Collection of Unallowable Costs

**Comment:** A number of commenters said that the proposed wording concerning interest was unclear. Some assumed interest would be charged from the date an unallowable cost was incurred.

**Response:** The wording of this section has been changed slightly. The reference to "interest chargeable in accordance with applicable Federal agency regulations" is intended to confirm existing requirements of law.

The Debt Collection Act requires the charging of interest from the date a Federal agency provides notice of a claim. However, with respect to Department of Defense contracts awarded after February 28, 1987, 10 U.S.C. 2324 (a) through (d) requires the Department of Defense to assess a penalty equal to interest on certain unallowable indirect costs back to the date the costs were reimbursed by the Federal Government.

**Comment:** A number of commenters objected to the provision that unallowable costs be paid to the Federal Government. Instead, they suggested that a future indirect cost rate be adjusted for the amount of unallowable costs.

**Response:** The Circular's provision for allowing adjustments of future indirect cost rates is intended only to permit adjustments relating to the under- or over-recovery of allowable costs.

##### Adjustment of Indirect Cost Rates

**Comment:** There were numerous comments concerning whether offsets could be used rather than refunds if the original proposal by a university was higher than the rate ultimately negotiated.

**Response:** An offset would be appropriate only to the extent that a general reduction, not identifiable to specific issues, was made. Additionally, a separate refund would not be necessary for any unallowable costs that were clearly eliminated during the rate negotiation process.

**Comment:** There were numerous comments concerning whether offsets could be used rather than refunds if the university could document additional costs not originally claimed.

**Response:** No. This provision is intended to correct improper (past year) proposals and not reopen prior years' rates to renegotiation.

**Comment:** There were a number of comments objecting to subsection (d) where unallowable costs included in each year's rate would be assumed to be the same as the amount in the base year proposal used to establish the rate.

**Response:** The assumption that the same amount of unallowable costs found in the base year, on which subsequent years rates were determined, is a valid assumption. The purpose is to correct an improper rate setting proposal which was used to establish the rates for several years.

**Comment:** One commenter pointed out that, for some multi-year agreements, it would be more appropriate to use the proportion rather than the amount of unallowable costs contained in a base year proposal to determine the amount of unallowable costs to be adjusted.

**Response:** The language has been revised to allow the cognizant agency to use whichever method of computation is appropriate.

**Comment:** One commenter recommended that subsection (9) of section C be amended to include "unallocable costs" in the category of costs deemed unallowable and for which adjustments to previously negotiated rates should be made. The commenter indicated that unallowable costs are costs which are

not specifically addressed in Section J and not prohibited by law, yet they are generally costs that are clearly allowable, such as the costs of youth, intercollegiate athletics, etc."

**Response:** The provision has been amended to address the suggested change.

#### *Limitation on Administrative Costs*

**Comment:** Most commenters objected to the imposition of a limitation on the amount of administrative costs which could be charged to Federal awards.

**Response:** No change has been made.

**Comment:** Most commenters also objected to the timing of the limitation. They pointed out that most institutions had already negotiated permanent rates for fiscal year 1992 and, in many cases, for additional future periods. They requested sufficient lead time to enable them to plan for the financial impact of the cap.

**Response:** The proposal was revised to delay the effective date of the cap until the start of each institution's next fiscal year.

**Comment:** Many commenters objected to the amendment of predetermined rates already established by the cognizant agencies. They pointed out that many agreements would not expire for several years and it would be unreasonable to hold them to such reduced rates if they could document valid costs which could be substituted for the administrative costs removed. Furthermore, their negotiation priorities might have been different if they had known of the impending limitation.

**Response:** The proposal has been changed to allow the renegotiation of rates amended by the cognizant agency. However, no renegotiated rate may exceed the rate which would have been in effect if the agreement had remained in effect, nor may the administrative portion of any renegotiated rate exceed the limitation established by this revision of the Circular.

**Comment:** Many commenters objected to the proposed restrictions on their managerial prerogatives to make accounting system changes.

**Response:** The proposed restriction would only affect those changes which would have an adverse effect on Federal Government costs by diluting or avoiding the effect of the limitation on administrative cost reimbursement. The proposal also contains a provision allowing cognizant agencies to approve some modifications, despite such adverse effect, that allow institutions to adopt

practices followed by a substantial majority of other institutions.

**Comment:** Many commenters made alternate proposals to extend the reductions to a broader portion of the rate, to spread the reductions over a larger universe of institutions, or to exempt a variety of specific types of costs from the limitation.

**Response:** No changes were made. The limitation is intended to place a reasonable ceiling level on all administrative costs.

#### *Depreciation and Use Allowance Payments*

**Comment:** Most commenters objected to the establishment of a dedicated facilities fund on the grounds that: (1) For the most part, reimbursements from the Federal Government are for facilities already acquired and paid for by the institutions; (2) the institutions currently expend more for research facilities than the reimbursements received; (3) the costs to administer such a fund would be excessive; and, (4) the requirement to actually set aside funds in a separate account is an unwarranted intrusion on their management prerogatives. Numerous commenters suggested that the objective of the proposal could be achieved by obtaining a statement of assurance that current expenditures for buildings and equipment exceeded the Federal reimbursements for depreciation and use allowance.

**Response:** The proposal has been revised to incorporate the suggested alternative. Institutions will be required to provide periodic assurances that Federal depreciation and use allowance reimbursements have been expended or reserved, but not physically set aside, for use within the next five years to acquire or improve research facilities.

**Comment:** A number of commenters misunderstood the proposal and seemed to believe that Federal reimbursements could only be used for new buildings or equipment but not to retire debt on, or make repairs or renovations to, existing facilities.

**Response:** There was no intention to restrict the use of Federal reimbursements as suggested by these respondents.

**Comment:** Several commenters questioned how the provisions should be applied for Federal awards which limit the reimbursement of indirect costs, such as the 8 percent rate used on HHS research training awards and the 14 percent cap on USDA grants.

**Response:** The provision has been clarified by making it applicable only to Federal agreements that provide

indirect costs at a full rate established by the cognizant Federal agency.

**Comment:** One commenter pointed out that interest expense and depreciation and use allowances for research facilities are both reimbursed as part of the indirect cost rate by the Federal Government. Therefore, the depreciation and use allowance reimbursements should be available only for the payment of principal, but not interest, on facility debts.

**Response:** The provision has been clarified to reflect the suggested change.

#### *Advertising and Public Relations Costs*

**Comment:** Several commenters pointed out that the proposed language disallowing "special events such as conventions and trade shows" was unclear and might preclude appropriate charges to Federal awards for directly relevant scientific conferences, symposia or meetings of professional societies.

**Response:** The phrase "special events such as conventions and trade shows" has been replaced by a more representative example of university activities, namely "convocations or other events related to instruction or other institutional activities." The activities such as "symposia, etc." are covered under section 3.2.2.

#### *Costs Related to Legal and Other Proceedings*

**Comment:** Several commenters suggested that the proposed A-21 coverage conform with the comparable language contained in the Federal Acquisition Regulation (FAR) cost principles for commercial organizations at FAR 31.205-47. Costs related to legal and other proceedings.

**Response:** Proposed revisions §11 a. through e. were predicated on the statutory language contained in Section 6, Limitations On Allowability Of Costs Incurred By Federal Contractors In Certain Proceedings, of Public Law 100-700, Major Fraud Act of 1988, November 12, 1988, and the regulatory provisions established in FAR 31.205-47(a) through (e). Proposed paragraphs f. through i. correlate with FAR 31.205-47, paragraphs (f)(4), (f)(1), (f)(6) and (g), respectively. The slight language differences between the FAR and proposed Circular A-21 coverage were due to minor editorial and regulatory style preferences. No substantive differences between the FAR and this Circular are intended. As a result of the specific comments provided, proposed paragraphs a., b.,

d., e., and f. were revised for greater conformity with the comparable FAR language.

**Comment:** Several commenters objected to the proposed 80 percent limitation on reimbursement when the institution is found innocent, and suggested that the proposed revisions were not clear.

**Response:** The proposed revisions were retained. As stated herein, the proposed revisions follow the requirements of Public Law 100-700.

**Comment:** Some commenters recommended deletion of proposed paragraph g. which prohibits reimbursement for costs incurred in connection with the defense or prosecution of claims or appeals with the Federal Government.

**Response:** This proposed revision was retained. The costs of legal, accounting and consulting services and related costs incurred in connection with the prosecution of claims against the Federal Government have traditionally been unallowable (see Section J. 2d. c. of the existing Circular). It is also Federal policy that the costs of defense against a Federal Government claim are unallowable, either as a direct or indirect charge (e.g., FAR 31.205-47(f)(1)).

**Comment:** One commenter stated that proposed paragraphs b. and g. appear to conflict.

**Response:** The two paragraphs do not conflict. Paragraph g. relates to claims that may be initiated by either party to resolve disputes under the terms and conditions contained in Federal awards. Such actions do not equate with the actions and resulting dispositions specified in Public Law 100-700. I.e., the actions listed under paragraph b.

**Comment:** One commenter questioned whether paragraph g. applies to both administrative and judicial proceedings.

**Response:** Paragraph g. does apply to both administrative and judicial proceedings.

**Comment:** One commenter stated that patent infringement costs should be allowable.

**Response:** No change was made. Patent infringement costs are not currently allowable. Proposed paragraph h. is not new (see J. 2d. c. of the existing Circular).

**Comment:** Several commenters objected to paragraph l. which requires separate accounting for potentially unallowable litigation costs. They believed that this imposes an expensive administrative cost requirement.

**Response:** This revision was retained. The referenced litigation costs are potentially unallowable and should be separately identified to ensure such costs are not improperly claimed and reimbursed under federally-sponsored agreements. Absent separate identification at the time of occurrence, it is difficult to understand how institutions could identify and exclude such costs from their reimbursement claims on an after-the-fact basis.

**Comment:** Several commenters suggested that all of the FAR cost principles provisions be incorporated in their entirety even though some sections may not appear to be pertinent to universities.

**Response:** No change was made. The need for incorporating the provisions contained in FAR 31.205-47(f)(2), (3), (5), and (7) is not readily apparent. Accordingly, those provisions are not being incorporated at this time.

#### **Employee Morale, Health, and Welfare Costs and Credits**

**Comment:** Several commenters asked whether certain costs of employee morale, health and welfare programs would be unallowable if they were: (1) Entertainment, (2) donations, or (3) goods and services.

**Response:** No change was made. Charges made to established programs for employee morale, health and welfare (including recreation activities, nominal gifts at retirement, etc.) are allowable. Charges made for entertainment, gifts, or goods or services for personal use, not part of such program, are unallowable.

#### **Insurance Against Defects**

**Comment:** Several commenters suggested the word "commercial" be deleted from this proposed section to ensure the prohibition covers cases involving self-insurance.

**Response:** The wording was so amended.

**Comment:** Two commenters sought clarification of the prohibition on reimbursement of the costs of insurance against defects. One noted the intent is clearly directed to product liability insurance, while casualty insurance should be allowable. One commenter sought clarification concerning whether malpractice insurance was covered.

**Response:** Casualty and malpractice insurance are not covered by the prohibition.

#### **Lobbying**

**Comment:** Several commenters said this section was not detailed and specific enough.

**Response:** Detailed guidance is provided in new sections J.17 and J.24.

#### **Salary Limits**

**Comment:** Numerous commenters objected to the proposal to limit salary amounts charged to sponsored agreements.

**Response:** OMB concurs. The proposal is not included in this revision. However, statutory limitations continue to apply.

#### **Severance Pay**

**Comment:** Several commenters said they had multiple union contracts which in effect give a university different severance pay policies. In their opinion, the proposal seemed to imply that a single policy was required.

**Response:** Under this provision, an institution's normal severance pay policy can include several severance pay plans which arise from multiple union contracts.

**Comment:** One commenter said this revision might interfere with retirement incentives.

**Response:** This section deals with severance, I.e., dismissal. It does not cover retirement programs.

#### **Travel Costs**

**Comment:** Several commenters recommended that the proposed airfare cost limitations, in paragraph c., be conformed to FAR 31.205-46(d), which generally prohibits the cost of first class airfare by limiting allowable airfare costs to the lowest customary standard, coach, or equivalent airfare.

**Response:** The proposed A-21 revisions were predicated upon FAR 31.205-46(d). An additional revision was added to clarify that allowable airfare costs are limited to the lowest available airfare, e.g., discount airfares. In view of the comments received, the proposed language was revised for greater consistency with the referenced FAR language, but the proposed limitations requiring use of the lowest available airfare were retained. In accordance with sound financial management concepts, educational institutions are expected to implement airfare travel cost policies that require employees performing official business travel to use the lowest available commercial airfare consistent with prudent travel cost management.

#### **Trustees**

**Comment:** One commenter asked whether the reference to "trustees" included boards, regents, visitors, etc.

and questioned whether the proposal applied to trustees at the institution level or also included trustees at the college level.

**Response:** The term "trustee" is being used generically and includes boards, regents, visitors, etc. The prohibition applies to all levels of an institution.

**Comment:** One commenter said there may be confusion where a trustee is also a member of management.

**Response:** When traveling as a trustee, the cost is unallowable.

#### Certification

**Comment:** Several commenters recommended changes to the proposed certification.

**Response:** The certification parallels the Department of Defense (DOD) form currently required for universities administering DOD contracts. OMB's objective is consistency with the DOD provisions.

**Comment:** Several commenters wanted the "penalty of perjury" phrase removed.

**Response:** The penalty of perjury declaration is to remind the signer of the importance of the certification and the need to ensure that it accurately states his/her actual knowledge and belief.

Tom Stack,

Acting Director, Office of Federal Financial Management

#### EXECUTIVE OFFICE OF THE PRESIDENT

Office of Management and Budget

CIRCULAR NO. A-21, Revised Transmittal Memorandum No. 4

October 1, 1991

To the Heads of Executive Departments and Establishments.

Subject: Cost Principles for Educational Institutions.

This transmittal memorandum revises OMB Circular No. A-21, "Cost Principles for Educational Institutions." The revision excludes certain specified costs from reimbursements paid to colleges and universities receiving Federal awards and places a limit on the amount of reimbursable administrative costs. The revision also requires a certification to accompany each indirect cost proposal.

**Effective Date.** The revisions to the Circular are effective immediately. They will be implemented as follows:

- For costs charged directly to sponsored agreements, this revision shall be applied to all agreements awarded or amended (including continuation and renewal awards) on or after October 1, 1991.
- For costs charged indirectly, this revision shall be applicable on October 1, 1991. Implementation with respect to existing indirect cost rates may be accomplished by adjustments to future negotiated rates.
- The certifications with respect to unallowable costs shall apply to all indirect

cost proposals submitted on or after October 1, 1991.

—For the limitation on administrative costs, this revision shall apply to all agreements awarded or amended (including continuation and renewal awards) with effective dates beginning on or after the start of the institution's first fiscal year which begins on or after October 1, 1991.

Richard Darman,

Director.

The following revisions are made to sections C, G, J, and K of the Attachment to Circular A-21:

1. A new subsection c is added to section C.A, *Allocable costs*.

c. Any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally-sponsored agreements.

2. The following new subsection 8 is added to section C:

8. *Collection of unallowable costs.*

Costs specifically identified as unallowable in Section J and charged to the government, either directly or indirectly, will be refunded (including interest chargeable in accordance with applicable Federal agency regulations).

3. A new subsection 9 is added to section C.

9. *Adjustment of previously negotiated indirect cost rates containing unallowable costs.* Negotiated indirect cost rates based on a proposal later found to have included costs that (a) are unallowable as specified by (i) law or regulation, (ii) section J of this Circular, (iii) terms and conditions of sponsored agreements or (b) are unallowable because they are clearly not allocable to sponsored agreements, shall be adjusted, or a refund shall be made, in accordance with the requirements of this section. These adjustments or refunds are designed to correct the proposals used to establish the rates and do not constitute a reopening of the rate negotiation. The adjustments or refunds will be made regardless of the type of rate negotiated (predetermined, final, fixed, or provisional).

a. For rates covering a future fiscal year of the institution, the unallowable costs will be removed from the indirect cost pools and the rates appropriately adjusted.

b. For rates covering a past period, the Federal share of the unallowable costs will be computed for each year involved and a cash refund (including interest chargeable in accordance with applicable regulations) will be made to the Federal Government. If cash refunds are made for past periods covered by provisional or fixed rates, appropriate adjustments will be made when the rates are finalized to avoid duplicate

recovery of the unallowable costs by the Federal Government.

c. For rates covering the current period, either a rate adjustment or a refund, as described in subsections a and b, shall be required by the cognizant agency. The choice of method shall be at the discretion of the cognizant agency, based on its judgment as to which method would be most practical.

d. The amount or proportion of unallowable costs included in each year's rate will be assumed to be the same as the amount or proportion of unallowable costs included in the base year proposal used to establish the rate.

4. Section G.1.a is amended by renumbering the existing text G.1.a.(1) and G.1.a.(2) and adding the new subsection G.1.a.(3). This section will now read as follows:

G. *Determination and application of indirect cost rate or rates.*

1. *Indirect cost pools.*

a. (1) Subject to subsection b, the separate categories of indirect costs allocated to each major function of the institution as prescribed in Section F shall be aggregated and treated as a common pool for that function. The amount in each pool shall be divided by the distribution base described in section G.2 to arrive at a single indirect cost rate for each function.

(2) The rate for each function is used to distribute indirect costs to individual sponsored agreements of that function. Since a common pool is established for each major function of the institution, a separate indirect cost rate would be established for each of the major functions described in section B.1 under which sponsored agreements are carried out.

(3) Each institution's indirect cost rate process must be appropriately designed to ensure that Federal sponsors do not in any way subsidize the indirect costs of other sponsors, specifically activities sponsored by industry and foreign governments. Accordingly, each allocation method used to identify and allocate the indirect cost pools, as described in sections E.2 and F.1 through F.7, must contain the full amount of the institution's modified total costs or other appropriate units of measurement used to make the computations. In addition, the final rate distribution base (as defined in section G.2) for each major function (organized research, instruction, etc., as described in section B.1) shall contain all the programs or activities which utilize the indirect costs allocated to that major function. At the time an indirect cost proposal is submitted to a Federal cognizant agency, each institution must describe

the process it uses to ensure that Federal funds are not used to subsidize industry and foreign government funded programs.

5. A new section number 6 is added to section C.

**6. Limitation on reimbursement of administrative costs.**

a. Notwithstanding the provisions of G.1.a. the administrative costs charged to sponsored agreements awarded or amended (including continuation and renewal awards) with effective dates beginning on or after the start of the institution's first fiscal year which begins on or after October 1, 1991, shall be limited to 26% of modified total direct costs (as defined in section G.2) for the total of General Administration and General Expenses, Departmental Administration and Sponsored Projects Administration (including their allocable share of depreciation and/or use allowances, operation and maintenance expenses, and fringe benefit costs as provided by sections F.3.a, F.4.a.(3), and F.5.a).

b. Existing indirect cost rates that affect institutions' fiscal years which begin on or after October 1, 1991, shall be unilaterally amended by the cognizant Federal agency to reflect the cost limitation in subsection a above.

c. Permanent rates established prior to this revision which have been amended in accordance with subsection b may be renegotiated. However, no such renegotiated rate may exceed the rate which would have been in effect if the agreement had remained in effect; nor may the administrative portion of any renegotiated rate exceed the limitation in subsection a.

c. Institutions should not change their accounting or cost allocation methods which were in effect on May 1, 1991, if the effect is to: (i) Change the charging of a particular type of cost from indirect to direct, or (ii) reclassify costs, or increase allocations, from the administrative pools identified in subsection a above to the other indirect cost pools or fringe benefits. Cognizant Federal agencies are authorized to permit changes where an institution's charging practices are at variance with acceptable practices followed by a substantial majority of other institutions.

—6. A new subsection 7 is added to section G.

7. **Individual rate components.** In order to satisfy the requirements of Section J.12.f and to provide mutually agreed upon information for management purposes, each indirect cost rate negotiation or determination shall include development of a rate for

each indirect cost pool as well as the overall indirect cost rate.

7. Section J is renumbered as follows:

**J. General Provisions for Selected Items of Cost**

1. Advertising and public relations costs
2. Alcoholic beverages
3. Alumni activities
4. Bad debts
5. Civil defense costs
6. Commencement and convocation costs
7. Communication costs
8. Compensation for personal services
9. Contingency provisions
10. Deans of Faculty and graduate schools
11. Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement
12. Depreciation and use allowances
13. Donated services and property
14. Employee morale, health, and welfare costs and credits
15. Entertainment costs
16. Equipment and other capital expenditures
17. Executive lobbying costs
18. Fines and penalties
19. Goods and services for personal use
20. Housing and personal living expenses
21. Insurance and indemnification
22. Interest, fund raising, and investment management costs
23. Labor relations costs
24. Lobbying
25. Losses on other sponsored agreements or contracts
26. Maintenance and repair costs
27. Material costs
28. Memberships, subscriptions, and professional activity costs
29. Patent costs
30. Plant security costs
31. Preagreement costs
32. Professional services costs
33. Profits and losses on disposition of plant equipment or other capital assets
34. Proposal costs
35. Rearrangement and alteration costs
36. Reconversion costs
37. Recruiting costs
38. Rental cost of buildings and equipment
39. Royalties and other costs for use of patents
40. Sabbatical leave costs
41. Scholarships and student aid costs
42. Selling and marketing
43. Severance pay
44. Specialized service facilities
45. Student activity costs
46. Taxes
47. Transportation costs
48. Travel costs
49. Termination costs applicable to sponsored agreements
50. Trustees

8. **Section 1. Advertising costs.** Is retitled **Advertising and public relations costs** and revised to read as follows:

**1. Advertising and public relations costs.**

a. The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television

programs, direct mail, exhibits, and the like.

b. The term public relations includes community relations and means those activities dedicated to maintaining the image of the institution or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

c. The only allowable advertising costs are those which are solely for:

(1) The recruitment of personnel required for the performance by the institution of obligations arising under the sponsored agreement, when considered in conjunction with all other recruitment costs, as set forth in section J.37;

(2) The procurement of goods and services for the performance of the sponsored agreement;

(3) The disposal of scrap or surplus materials acquired in the performance of the sponsored agreement except when institutions are reimbursed for disposal costs at a predetermined amount in accordance with Attachment N, OMB Circular No. A-110; or

(4) Other specific purposes necessary to meet the requirements of the sponsored agreement.

d. The only allowable public relations costs are:

(1) Costs specifically required by sponsored agreements;

(2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of sponsored agreements; or

(3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern such as notices of contract/grant awards, financial matters, etc.

e. Costs identified in c through d, if incurred for more than one sponsored agreement or for both sponsored work and other work of the institution, are allowable to the extent that the principles in section D and E are observed.

f. Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in subsections c, d, and e above;

(2) Costs of convocations or other events related to instruction or other institutional activities including:

(i) Costs of displays, demonstrations, and exhibits;

(ii) Costs of meeting rooms, hospitality suites, and other special facilities used



in conjunction with shows and other special events; and

(iii) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;

(3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;

(4) Costs of advertising and public relations designed solely to promote the institution.

9. The following new section 2 is added to section j:

2. *Alcoholic beverages.* Costs of alcoholic beverages are unallowable.

10. The following new section 3 is added to section j:

3. *Alumni activities.* Costs incurred for, or in support of, alumni activities and similar services are unallowable.

11. Former section 6, *Compensation for personal services*, is renumbered 8 and revised as follows:

a. Former section j.15, *Fringe benefits*, is deleted and moved in its entirety to a new subsection f in this section and renumbered accordingly. A sentence is added at the end of the first subsection on rules for pension costs and now reads as follows:

1. *Fringe benefits.*

(3) Rules for pension plan costs are as follows:

(a) Costs of the institution's pension plan which are incurred in accordance with the established policies of the institution are allowable, provided: (i) Such policies meet the test of reasonableness, (ii) the methods of cost allocation are equitable for all activities, (iii) the amount of pension cost assigned to each fiscal year is determined in accordance with (b) below, and (iv) the cost assigned to a given fiscal year is paid or funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are unallowable.

b. A new subsection g is added to this section and reads as follows:

g. *Institution-furnished automobiles.*

That portion of the cost of institution-furnished automobiles that relates to personal use by employees (including transportation to and from work) is unallowable regardless of whether the cost is reported as taxable income to the employees.

12. A new subsection f is added to former section j.9.

f. This section applies to the largest college and university recipients of Federal research and development funds as displayed in Exhibit A.

(1) Institutions shall expend currently, or reserve for expenditure within the next five years, the portion of indirect cost payments made for depreciation or use allowances under sponsored research agreements, consistent with section G.7, to acquire or improve research facilities. This provision applies only to Federal agreements which reimburse indirect costs at a full negotiated rate. These funds may only be used for: (a) liquidation of the principal of debts incurred to acquire assets that are used directly for organized research activities, or (b) payments to acquire, repair, renovate, or improve buildings or equipment directly used for organized research. For buildings or equipment not exclusively used for organized research activity, only appropriately proportionate amounts will be considered to have been expended for research facilities.

(2) An assurance that an amount equal to the Federal reimbursements has been appropriately expended or reserved to acquire or improve research facilities shall be submitted as part of each indirect cost proposal submitted to the cognizant Federal agency which is based on costs incurred on or after October 1, 1991. This assurance will cover the cumulative amounts of funds received and expended during the period beginning after the period covered by the previous assurance and ending with the fiscal year on which the proposal is based. The assurance shall also cover any amounts reserved from a prior period in which the funds received exceeded the amounts expended.

13. The following new section 11 is added to section j:

11. *Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement.*

a. *Definitions.*

*Conviction*, as used herein, means a judgment or conviction of a criminal offense by any court of competent jurisdiction, whether entered upon verdict or a plea, including a conviction due to a plea of *nolo contendere*.

*Costs*, include, but are not limited to, administrative and clerical expenses; the cost of legal services, whether performed by in-house or private counsel; the costs of the services of accountants, consultants, or others retained by the institution to assist it; costs of employees, officers and trustees, and any similar costs incurred before, during, and after commencement of a judicial or administrative proceeding that bears a direct relationship to the proceedings.

*Fraud*, as used herein, means (i) acts of fraud or corruption or attempts to defraud the Government or to corrupt its

agents, (ii) acts that constitute a cause for debarment or suspension (as specified in agency regulations), and (iii) acts which violate the False Claims Act, 31 U.S.C., sections 3729-3731, or the Anti-kickback Act, 41 U.S.C., sections 51 and 54.

*Penalty*, does not include restitution, reimbursement, or compensatory damages.

*Proceeding*, includes an investigation.

b. (1) Except as otherwise described herein, costs incurred in connection with any criminal, civil or administrative proceeding (including filing of a false certification) commenced by the Federal Government, or a State, local or foreign government, are not allowable if the proceeding (1) relates to a violation of, or failure to comply with, a Federal, State, local or foreign statute or regulation, by the institution (including its agents and employees); and (2) results in any of the following dispositions:

(a) In a criminal proceeding, a conviction.

(b) In a civil or administrative proceeding involving an allegation of fraud or similar misconduct, a determination of institutional liability.

(c) In the case of any civil or administrative proceeding, the imposition of a monetary penalty.

(d) A final decision by an appropriate Federal official to debar or suspend the institution, to rescind or void an award, or to terminate an award for default by reason of a violation or failure to comply with a law or regulation.

(e) A disposition by consent or compromise, if the action could have resulted in any of the dispositions described in (a), (b), (c) or (d) of b(1) above.

(2) If more than one proceeding involves the same alleged misconduct, the costs of all such proceedings shall be unallowable if any one of them results in one of the dispositions shown in b(1) above.

c. If a proceeding referred to in paragraph b. is commenced by the Federal Government and is resolved by consent or compromise pursuant to an agreement entered into by the institution and the Federal Government, then the costs incurred by the institution in connection with such proceedings that are otherwise not allowable under paragraph b. may be allowed to the extent specifically provided in such agreement.

d. If a proceeding referred to in paragraph b. is commenced by a State, local or foreign government, the authorized Federal official may allow the costs incurred by the institution for

# Universities Said to Pay Significant Amount of Cost of U.S.-Backed Research

By COLLEEN CORDES

WASHINGTON

Universities pay a significant amount of the cost of federally supported academic research, the preliminary results of a new study indicate.

The study was intended to shed light on the cost of research—the subject of one of the most contentious public debates confronting universities today. But some of those who participated in the study say universities have missed an opportunity to spell out how much of the total bill for federally supported research they are already paying and to take the initiative in recommending new federal policies.

The study, by the Council on Governmental Relations and the Association of American Universities, focuses mainly on the overhead or indirect costs of research. These are expenses, such as utilities and building maintenance, that cannot be directly calculated for individual projects. The study includes a wide range of details about costs at 21 institutions.

## White House Proposal Due

The study came as a special committee led by the White House Office of Management and Budget and the White House Office of Science and Technology Policy was drafting a proposal to revise the system for reimbursing institutions for overhead costs.

Last fall, university officials criticized overhead-policy revisions being considered by the National Institutes of Health as too narrowly focused on reducing the government's bill for overhead.

They argued that the government should concentrate instead on containing the total costs of research—including both overhead and the direct costs of individual projects. And they stressed that universities are already contributing significant amounts of their own resources to the total cost of academic research. Moreover, university officials emphasized, their institutions are too financially strapped to pick up a larger share of the total bill.

Government officials expressed interest and asked universities for help in gathering data on the total costs of research and on the part of the bill that universities are picking up. The study evolved from those beginnings.

## Little Quantitative Analysis

Besides a one-inch-thick document of tables that deal primarily with overhead costs at the 21 institutions, the higher-education groups released a draft statement that outlined the study's purpose and design, and a brief discussion of conclusions. But the study contained almost no quantitative analysis of the data to support those conclusions, which included the following:

- Comparisons of the overhead rates at different institutions do not accurately reflect differences in costs, because the rates are calculated very differently.

- Universities already "share significantly in the costs of research," as shown by the study and by a separate federal report that contains estimates of total cost sharing at individual universities.

- Policy changes "should not be made by denying the existence" of the many legitimate overhead costs.

The statement added that most of the universities actually collected "considerably less" in overhead reimbursements than their total overhead expenditures for all of the research they were conducting.

Colin Clasper, director of internal audits at George Washington University, said the results showed that "we are all bearing a significant portion of the costs of doing research—we already are."

Some participants said that ideally the study would have analyzed policy options based on the data and spelled out university cost sharing in more detail.

George Schlecht, director of financial analysis and cost reimbursement at the University of Michigan, said one problem was that universities had not yet learned how to respond to national policy issues with a united front.

"We get beat up pretty badly simply because they can pick us off one at a time," he added.

## 'An Extraordinary Job'

One federal official involved in the federal overhead review, who asked not to be identified, said he

had hoped the study "would have given us a better handle" on the total amount of cost sharing by universities in federally supported research, especially in contributing to direct costs.

The universities, he said, may have decided that they were better off leaving the government with a vague sense of that.

William F. Raub, executive secretary of the federal committee, praised the results, saying: "It's very valuable information. We may never know what we'd like to know, given the complexity of the problem. But they've done an extraordinary job."

Robert M. Rosenzweig, president of the Association of American Universities, said the study had achieved its purpose—to present unbiased information to inform the debate. The government can do its own analysis of the data, he said, as can universities.

The two groups, he added, did not have the time or money for a thorough analysis of university contributions to direct costs, for which they said there are no uniform and complete records. Speed was critical, he said, because the government is moving quickly.

"I have a lot of confidence," Mr. Rosenzweig added, "that the people managing the process are seriously concerned about reforming the system in ways that are helpful to both the government and the universities."



Some examples of the required certifications in a current RFP are:

1. Requirement for Technical Data Representation
2. Organizational Conflicts of Interest Certificate
3. Certification of Nonsegregated Facilities
4. Place of Performance
5. Requirement for Certificate of Procurement Integrity
6. Notice of Restriction on Contracting with Sanctioned Persons
7. Taxpayer Identification
8. Contingent Fee Representation and Agreement
9. Certificate Regarding Debarment, Suspension, Proposed Debarment, and Other Responsibility Matters
10. Type of Business Organization
11. Authorized Negotiators
12. Small Business Concern Representation
13. Women-Owned Small Business Representation
14. Previous Contracts and Compliance Reports
15. Affirmative Action Compliance
16. Clean Air and Water Certification
17. Certification Regarding A Drug Free Workplace
18. Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions
19. Buy American - Balance of Payments Program Certificate
20. Buy American Act - Trade Agreements Act -- Balance of Payments Certificate
21. Disclosure of Ownership or Control by a Foreign Government that Supports Terrorism
22. Certification of Technical Data Conformity
23. Certification of Indirect Costs
24. Representation of Extent of Transportation by Sea
25. Small Disadvantaged Business Concern Representation
26. Representation Regarding Employment of Navy Personnel
27. Asbestos Certification

In several instances, the certificate is only an information item that is routine and imposes little or no compliance effort. However, in a number of cases there is a very significant compliance or reporting effort required in order to be able to execute the certificate in good faith.

In addition, if the Bidder is successful, then the resultant contract continues the requirement for compliance with all applicable certificates/clauses/statutes, and the obligation in some cases continues beyond the life of the contract.

# **FACT SHEET**

## **HOUSE ARMED SERVICES COMMITTEE**

### **DEFENSE REINVESTMENT FOR ECONOMIC GROWTH**

#### **PURPOSE OF THE PACKAGE**

The legislation is intended to seed economic growth, while assisting in the orderly drawdown of the U.S. defense establishment and in the maintenance of the necessary technological and industrial bases essential for defense in the future.

#### **SOURCE OF FUNDS**

The House Armed Services Committee wrote a bill on May 13 that earmarked \$1 billion for reinvestment initiatives in anticipation of this package.

#### **APPLICATION OF BUDGET AGREEMENT**

The package is designed to be consistent with the 1990 Budget Agreement. Before any of these funds can be obligated for a given initiative, the Office of Management and Budget must determine that spending for that initiative is to be counted as defense spending. Funds authorized for a purpose ultimately not counted as defense spending shall be redistributed among programs within the economic package that are counted as defense.

#### **MAJOR ELEMENTS OF THE PACKAGE**

##### ***Teachers from Troops***

The reduction of the military is going to free numbers of skilled, disciplined, educated service members, DOD and DOE employees, and displaced defense workers for other careers. This coincides with a national need for teachers, particularly in the fields of math and science.

The program would provide a departing service member or employee with a \$5,000 stipend while securing a state teacher certification and would subsidize the individual's salary as a teacher for two years, not to exceed a total of \$50,000. Private sector employers would be asked to contribute \$2,500 of the stipend.

Participants would be required to obtain the certificate and to teach for two years in localities where there is a demonstrated need. The program would not allow participants to replace school system employees dismissed in favor of hiring the subsidized teachers.

Fiscal year 1993 authorization: \$180,000,000.

***Dual Use Critical Technology***

Building on the work of SEMATECH or Semiconductor Manufacturing Equipment Technology Consortium, this program would promote creation of new government-private sector consortia to develop critical technologies with both military and civilian applications, such as microelectronics, special materials and robotics.

These consortia would use both private venture capital and federal dollars to pursue their aims. In addition to the directly authorized funds, they would have access to the federal laboratories operated by the DOD, ultimately enabling them to command as much as 10 percent of the laboratories' resources per year.

Fiscal year 1993 authorization: \$150,000,000.

Another element aimed at spurring dual use technology would authorize funds for an existing law that permits DOD to invest directly in firms that might not otherwise be able to pursue critical technologies.

Fiscal year 1993 authorization: \$50,000,000.

***Job Training Opportunities***

This initiative would create programs administered by the Secretary of Defense to provide job training to separating service members and former members, eligible DOD and DOE civilian employees and eligible displaced defense workers. Job training would be provided to individuals by approved employer-sponsored, DOD-approved training programs. Where large numbers of individuals are dislocated, such as in cases of base closures or plant shut downs, training would be administered through an improved Job Training Partnership Act (JTPA) system.

Fiscal year 1993 authorization: \$200,000,000.

***Assistance to State and Local Governments***

This provision would expand the amount of assistance available from the Office of Economic Adjustment through DOD to defense economic adjustment programs operated by state and local governments. The Secretary of Defense would be able to make grants to and enter into cooperative agreements with state and local governments in order to facilitate community adjustment, industrial development or economic diversification in the wake of reduced defense spending or a declining military presence in the region.

Fiscal year 1993 authorization: \$100,000,000.

## **OTHER SELECTED FEATURES**

### ***Fairness Elements***

The military drawdown is necessarily truncating many careers within the military, the DOD and DOE, and among defense contractors. These are the people who won the Cold War. Provisions designed with this need in mind include:

- A hiring preference for former service members and defense workers by companies seeking future defense contracts.
- Separation pay for DOD civilian employees.
- Special early retirement benefits for dislocated defense workers.
- Extended medical plan coverage for those leaving DOD and who do not have other health insurance.

Fiscal year 1993 fairness authorization: \$122,000,000.

### ***Removing Business Barriers***

In order to ensure a viable defense industrial base, the continued development of technologically advanced products important for national defense, and to promote private sector economic growth, doing business with DOD needs to be easier than in the past. Initiatives designed to improve the DOD-private sector business relationships with these goals in mind include:

- A small business assistance and diversification program with information services to access new product markets.
- A defense technology extension program that makes defense technology information more accessible to defense suppliers.
- Expansion of the Small Business Innovation Research (SBIR) program.
- Expansion of the Procurement Technical Assistance (PTA) program to assist small businesses selling goods and services to DOD.

Fiscal year 1993 business barrier authorization: \$125,000,000.

####

### III. Industrial Transition, Economic Growth, and Job Creation

#### A. Industrial Transition and Assistance

##### Summary Findings

- Based on some estimates, DoD outlays for goods and services could decline by as much as 48% over the period 1992-2001.
- Many defense firms must diversify into commercial markets and become less defense-dependent to survive.
- Small and medium sized defense firms need assistance with sales, marketing, up-to-date technology, and best manufacturing practices to make them competitive and insure successful diversification.
- Programs to ease diversification, enhance industrial competitiveness, and create jobs have been under funded.
- U.S. programs to provide new overseas markets are much smaller than those of our competitors.

##### Recommendations

1. Fund Regional and State Manufacturing Extension Services: Ease the transition of defense firms into new markets and bring the overall level of U.S. manufacturing technology up to world class standards through support of manufacturing extension programs assisting small and medium sized firms.
  - DoC Manufacturing Technology Centers.
  - DoC State Technology Extension Program (STEP).
  - DoD Manufacturing Extension Program.
2. Fund Regional Technology Alliances: Address common industry transition needs and encourage overall economic activity through a focus on regional industrial clusters. Fund regional efforts devoted to applied R&D, specialized training, market research, export promotion, and testbed facilities.
3. Provide DoC Grants for Regional and State Industrial Services Programs: Promote a quick and flexible response to the transitional needs of defense and other industries through support of state and regional industrial services programs.
4. Provide Trade and Export Assistance: Help defense and non-defense firms tap new civilian markets overseas by providing additional funding and technical assistance.
  - Increase funding for U.S. Foreign and Commercial Service

- Increase funding for the Trade and Development Program.
5. Amend DoD Recoupment Policy: Encourage defense firms to diversify and achieve a payoff for the commercial economy on defense R&D, by revising the policy requiring recoupment of R&D money spent on military technologies that are commercialized.

## **B. Investment in Growth Technologies**

### **Summary Findings**

- \* Over the long run, investment in economic growth is the only complete solution to lower defense spending and structural economic changes.
- \* The U.S. government spends approximately \$70 billion annually on R&D, over sixty percent of it for defense purposes. As a percentage of GNP, the U.S. spends only two-thirds the amount on non-defense R&D as the Japanese and the Germans.
- \* Economic growth depends on increased productivity, product innovation, and leadership in industries with a high multiplier effect for the economy, all of which create higher wages.
- \* Achieving these factors depends in large part on developing and applying critical technologies which underlie emerging industries with high multiplier effects.
- \* Because of the significant technical risks and financial barriers involved, individual companies are either unwilling or unable to successfully develop many of these critical technologies.
- \* It will be necessary for the government to act as a catalyst as well as a backer in some cases, of U.S. industries' efforts to develop and lead in the application of critical technologies.

### **Recommendations**

1. Critical Technology Partnerships with Industry: Vie for leadership in the industries of the 21st century and create R&D opportunities for defense and non-defense firms through grants to industry-led partnerships developing critical technologies.
  - Fund DoC Advanced Technology Program (ATP)
  - Fund Defense Advanced Research Projects Agency (DARPA) Dual-Use Partnerships with Industry
  - Support Ongoing Civilian Aerospace R&D Partnerships in NASA

- **Initiate National Environmental Technologies Agency (NETA) to Fund Grants for Environmental R&D**
- 2. **Emphasize Dual Use in DoD R&D:** Within the DoD R&D budget, set aside additional funds for projects that meet significant defense needs and that have a potential for application in the civilian sector. Such projects would include environmental cleanup, energy efficiency, transportation, computer and communications technology, and others.
- 3. **Increase Small Business Innovation and Research (SBIR) Funding:** Capitalize on the resourcefulness of small U.S. companies and increase opportunities in key emerging industries by increasing the set-aside for R&D matching grants to small firms. Focus grants on critical technologies with highest economic potential.
- 4. **Reorient Defense Labs:** Redirect these crown jewels of the national R&D infrastructure toward national needs and assisting commercial industry, now that the cold war is over.
  - **Industry-Laboratory Partnership Program:** Establish a set-aside fund to support industry-led R&D projects.
  - **Amend Stevenson-Wydler Act:** Require "dual-use" R&D be done in partnership with industry whenever possible.
  - **National Academy of Science Study:** Commission a study to examine what role the defense labs should fill now that the cold war is over, and how the labs can best fill this role.
- 5. **Fund AgileTech:** Help establish U.S. manufacturing preeminence by funding the public-private consortium developing the future manufacturing concept known as Agile Manufacturing.
- 6. **Extend the R&D Tax Credit:** Help make American industry the most technologically advanced in the world through extension of this tax credit for research and development expenditures.
- 7. **Provide Grants for Manufacturing Education and High Skills Retraining:** Insure U.S. industry's access to the best scientists engineers, and managers, through funding of manufacturing education programs administered by the DoD and NSF. Fund NSF administered retraining programs to high skill former defense industry employees making the transition to commercial industry.
- 8. **Extend the Employer-Provided Educational Assistance Tax Credit:** Extend this provision to encourage businesses to continually invest in upgraded skills for their employees.

Appendix B

PREPARED REMARKS  
OF  
ROY D. TERRY  
FOR  
DEFENSE CONVERSION COMMISSION  
ATLANTA, GEORGIA  
JULY 30, 1992

GOOD AFTERNOON!

THANK YOU VERY MUCH FOR THE OPPORTUNITY TO SPEAK ON THE VERY IMPORTANT AND TIMELY SUBJECT MATTER OF THIS COMMISSION HEARING.

OUR COMPANY, TERRY MANUFACTURING COMPANY OF ROANOKE, ALABAMA, RECENTLY ENTERED INTO A UNIQUE AND INNOVATIVE ARRANGEMENT WITH THE DEFENSE PERSONNEL SUPPORT CENTER AND MCDONALD'S CORPORATION WHICH I FEEL WILL BE OF INTEREST TO THIS BODY. I WILL DESCRIBE THIS ARRANGEMENT MOMENTARILY.

BUT, FIRST OF ALL, SO AS TO GIVE YOU SOME PERSPECTIVE, I WILL TELL YOU A LITTLE ABOUT TERRY MFG. CO.

TERRY MANUFACTURING COMPANY, INC. OF ROANOKE, ALABAMA WILL, IN 1993, CELEBRATE ITS 30TH YEAR AS THE NATION'S LEADING BLACK-OWNED AND OPERATED APPAREL MANUFACTURER. BEGINNING IN 1963, WITH FIVE EMPLOYEES, TERRY HAS GROWN STEADILY IN EMPLOYEES AND REVENUES TO ALMOST 300 EMPLOYEES AND SOME \$17 MILLION IN ANNUAL SALES.

MORE IMPORTANTLY, TERRY'S CAPABILITIES HAVE GROWN OVER THE YEARS THROUGH EXPERIENCE WITH CUSTOMERS SUCH AS MCDONALD'S, U.S. DEPT. OF DEFENSE, BURGER KING, U.S. FOREST SERVICE, CHURCH'S



FRIED CHICKEN, SEARS, J.C. PENNEY, ETC. TERRY MANUFACTURING COMPANY IS NOW RECOGNIZED AS A LEADER IN AUTOMATION AND COMPUTERIZATION AND CAN PERFORM "IN-HOUSE" ALL OPERATIONS IN THE PROCESS OF DESIGNING, MANUFACTURING, MARKETING AND DISTRIBUTING ALMOST ANY APPAREL OR RELATED ITEM.

THE KEY TO TERRY MANUFACTURING COMPANY'S SUCCESS IS ITS SUPERB STAFF, WHICH IS AMONG THE BEST-TRAINED AND MOST HIGHLY MOTIVATED IN THE INDUSTRY. TERRY STANDARDS FOR QUALITY AND EXCELLENCE IN PRODUCTS AND CUSTOMER SERVICE ARE WELL-KNOWN IN THE APPAREL INDUSTRY AND ELSEWHERE. TERRY MANUFACTURING HAS RECEIVED AWARDS AND RECOGNITION SUCH AS THE PRESIDENTIAL "MINORITY MANUFACTURER OF THE YEAR" AWARD, A "DESERT STORM" AWARD AND THE "NATIONAL 8A GRADUATE OF THE YEAR" AWARD.

TERRY MANUFACTURING COMPANY IS OWNED AND MANAGED BY BROTHERS, ROY TERRY AND RUDOLPH TERRY, BOTH BUSINESS ADMINISTRATION GRADUATES OF MOREHOUSE COLLEGE, ATLANTA, GEORGIA.

NOW, BACK TO THE SUBJECT AT HAND - THE UNIQUE THREE-PARTY ARRANGEMENT THAT I MENTIONED.

THIS ARRANGEMENT IS THE FIRST IN HISTORY "SHARED PRODUCTION" ARRANGEMENT, WHICH WAS SIGNED BY TERRY MFG., THE DEFENSE PERSONNEL SUPPORT CENTER (PHILADELPHIA, PA) AND MCDONALD'S CORPORATION (OAK BROOK, IL) AT A WELL ATTENDED CEREMONY IN OUR PLANT ON JUNE 16, 1992. THIS ARRANGEMENT DEALS WITH THE ISSUE OF DEFENSE CUT-BACKS, DECREASING BUDGETS AND TROOP LEVELS, ETC. WHILE STILL RECOGNIZING THE OFTEN OVERLOOKED FACT THAT THE DEFENSE DEPT. IS

STILL CHARGED WITH THE DUTY OF SOMEHOW BEING READY AND ABLE TO RESPOND TO ANY WAR OR NATIONAL EMERGENCY SITUATION IN THE FUTURE.

WITH ALL OF THE PUBLICITY WHICH RESULTED FROM THIS CEREMONY, I HAVE BEEN ASKED A NUMBER OF TIMES OVER THE PAST SEVERAL WEEKS TO DESCRIBE MY CONCEPT OF WHAT "SHARED PRODUCTION" IS AND WHY IT IS IMPORTANT TO ALL OF US. MY ANSWER IS THAT SHARED PRODUCTION IS AN ARRANGEMENT IN WHICH A MILITARY SUPPLIER ENHANCES THE MILITARY'S ABILITY TO RESPOND TO POTENTIAL NATIONAL EMERGENCIES BY CROSS-TRAINING COMMERCIAL-LINE PRODUCTION WORKERS ON MILITARY ITEMS SO THAT, IF NECESSARY, THE RATE OF PRODUCTION OF THESE MILITARY ITEMS CAN BE RAPIDLY INCREASED. IN ORDER FOR SUCH AN ARRANGEMENT TO WORK THE COOPERATION OF THE CUSTOMER FOR THE POTENTIALLY AFFECTED CIVILIAN ITEMS MUST SUPPORT THE PROCESS. TO PUT ALL OF THIS IN SIMPLE TERMS AND IN THE CONTEXT OF WHAT WE ARE DOING TODAY: TERRY MANUFACTURING COMPANY IS AGREEING TO BE READY IN CASE OF A NATIONAL EMERGENCY, TO RAPIDLY INCREASE THE NUMBER OF CAMOUFLAGE COATS PRODUCED EACH WEEK FOR DEFENSE PERSONNEL SUPPORT CENTER. IN ORDER TO BE READY AND ABLE TO DO THIS, WE ARE NOW IN THE PROCESS OF CROSS-TRAINING ON CERTAIN KEY CAMOUFLAGE COAT OPERATIONS SOME 32 EMPLOYEES WHO NORMALLY MAKE MCDONALD'S PANTS AND OTHER MCDONALD'S APPAREL. IF, GOD FORBID, ANOTHER DESERT STORM OR OTHER SUCH EMERGENCY SHOULD ARISE, THIS "NATIONAL GUARD OF SEWING MACHINE OPERATORS" WILL IMMEDIATELY SWITCH FROM MCDONALD'S PANTS TO CAMOUFLAGE COATS, THUS RAPIDLY INCREASING OUR PRODUCTION LEVEL ON THESE CRITICAL ITEMS. NEEDLESS TO SAY, WE NEEDED AND HAVE RECEIVED MCDONALD'S

UNDERSTANDING AND, INDEED, ENTHUSIASTIC SUPPORT FOR THIS PLAN. OF COURSE, WE ARE ALSO DEVELOPING CONTINGENCY PLANS TO MAKE SURE THAT OUR MCDONALD'S CUSTOMERS WILL NOT BE PERMANENTLY AFFECTED BY THE IMPLEMENTATION OF THIS PLAN.

THIS CONTRACT, WHICH IS VALUED AT SOME \$10 MILLION FOR THE FIRST YEAR AND IS LIKELY TO CONTINUE FOR TWO ADDITIONAL YEARS, IS VERY TIMELY FOR TERRY MANUFACTURING COMPANY AND OUR EMPLOYEES. IT GUARANTEES STABILITY AND CONTINUITY OF PRODUCTION AND JOBS DURING SOME VERY PERILOUS TIMES. IT ALSO CREATES AN ATMOSPHERE IN WHICH WE CAN EFFECTIVELY TEST AND IMPLEMENT NOT ONLY THIS "SHARED PRODUCTION" CONCEPT BUT OTHER IMPROVEMENTS IN TECHNOLOGY, QUALITY CONTROL AND SERVICE TO OUR CUSTOMERS AS WELL.

WE FEEL THAT IT IS ALSO VERY IMPORTANT AND TIMELY THAT THE DEFENSE DEPARTMENT SHOULD BEGIN TO CONSIDER AND IMPLEMENT SUCH GOOD, COMMON-SENSE, BUSINESS-LIKE APPROACHES TO THE PERPLEXING PROBLEM OF MAINTAINING MILITARY READINESS DURING A TIME OF SHRINKING BUDGETS AND DECREASING TROOP LEVELS. CERTAINLY, WE FEEL THAT IT IS EXTREMELY IMPORTANT THAT ONE OF THE NATION'S LARGEST AND MOST RESPECTED CORPORATIONS, MCDONALD'S, WOULD JOIN WITH US IN SUPPORTING THIS EFFORT TO IMPROVE THE WAY THAT WE AND THE GOVERNMENT DO BUSINESS.

TO PERSONALIZE THIS TO A SMALL EXTENT, I WANT TO PUBLICLY THANK BOB MOLINO OF DPSC AND PAT FLYNN OF MCDONALD'S FOR BEING THE VISIONARIES THAT THEY ARE, AND FOR SEEING MERIT IN WHAT MANY PERSONS ORIGINALLY PERCEIVED AS A RATHER RADICAL IDEA.

WHILE WE CERTAINLY DO NOT CLAIM THAT THIS "SHARED PRODUCTION" CONCEPT IS THE ANSWER TO THE DEFENSE CONVERSION PROBLEMS OF EVERY COMPANY, I DO FEEL THAT IT HAS WIDESPREAD APPLICABILITY. IN FACT, I KNOW THAT THE DEFENSE PERSONNEL SUPPORT CENTER IS ALREADY IN THE PROCESS OF TRYING TO FORGE OTHER SIMILAR ARRANGEMENTS IN CLOTHING, FOOD AND MEDICAL SUPPLIES NOW THAT A SUCCESSFUL MODEL HAS BEEN ESTABLISHED.

WE INVITE THIS DISTINGUISHED PANEL TO VISIT THE GREAT CITY OF ROANOKE, AL TO OBSERVE "SHARED PRODUCTION" IN ACTION.

THANK YOU AGAIN FOR ALLOWING US TO PARTICIPATE. WE ARE ALSO SUBMITTING FOR THE RECORD A NUMBER OF DOCUMENTS WHICH GIVE MORE DETAILS ABOUT THIS PROJECT.

ROY TERRY, PRESIDENT  
TERRY MANUFACTURING COMPANY, INC.  
924 SOUTH STREET - P. O. BOX 648  
ROANOKE, ALABAMA 36274  
(Roanoke, AL is approximately 75 miles southwest of the Atlanta, GA airport)  
TEL.: (205) 863-2171  
FAX: (205) 863-8835

Army Brig. Gen. Beale speaks frankly about DPSC's future, beginning on page 2

The News Magazine for Today's Worker

# *the* **Provider**

July/August 1992

Serving the Defense Personnel Support Center

Philadelphia, Pa.

*When it involves electronic data interchange...*



**...The Defense Personnel Support Center  
is in Perfect Harmony**

Inside: Medical gets personal • DPSC strikes "landmark" deal

# DPSC Strikes Unique Deal with Fast Food Giant and Clothing Vendor



From left, Roy Terry signs the demonstration agreement as Patrick Flynn and Robert Molino look on. Terry is president of the Terry Manuf. Co., Inc., in Roanoke, Ala. Flynn is the executive vice-president of the McDonald's Corp., and Molino is the executive director for acquisition management planning and support for the Defense Personnel Support Center.

ROANOKE, Ala.—The Defense Personnel Support Center's new way of doing business has never been more evident than with its new joint initiative with the McDonald's Corp., and the Terry Manuf. Co., Inc., a small, black- owned business here.

DPSC has developed an arrangement where McDonald's and DPSC will share production resources and facilities at Terry Manuf. during national emergencies or mobilization of America's armed forces. Terry Manuf. currently makes battle dress uniform coats for the military, crew uniforms for McDonald's, and a variety of other apparel items.

Under terms of the arrangement, Terry Manuf. will

cross-train 32 workers who make uniforms for McDonald's to make specific parts of the battle dress uniform coat. Between now and July 31, on Mondays, Tuesdays and Wednesdays, these workers will make items for McDonald's. On Thursdays and Fridays, these same employees will be cross-trained on the battle dress coat.

In the event of a national emergency or mobilization effort, the cross-trained workers will immediately shift to making battle dress coats.

"Hopefully, this is the beginning of a new way of doing business for DPSC," said Robert Molino, DPSC's executive director for acquisition management planning and support. "This initiative will permit the Defense Department to have a broad and diversified industrial base [for battle dress coats] without the expense associated with reserving capacity in a time of declining defense needs and budget cuts."

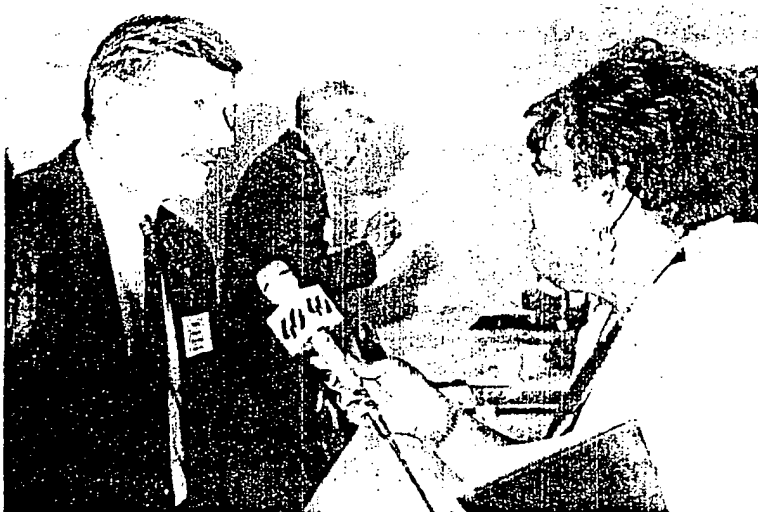
Before finalizing the agreement, five representatives from DPSC flew to McDonald's corporate headquarters in Oak Brook, Ill., to discuss the proposal. Two representatives from Terry Manuf. also attended. Roy

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**"This is truly a  
landmark  
agreement."**

—Robert Molino, DPSC's executive director for  
acquisition management planning and support

(continued on next page)



Robert Molino said having partners like McDonald's and Terry Manuf. shows the public that the federal government is willing to change how it does business. Molino (far left) is shown here being interviewed by a reporter from a television station in Birmingham, Ala. Molino is the Defense Personnel Support Center's executive director for acquisition management planning and support. In the background, Marine Col. Thomas Metzger is shown speaking to another reporter. Metzger, who recently retired, was the director of DPSC's clothing and textiles directorate.

Terry, the company's president, said it is a breakthrough agreement for a black-owned business.

"We're fortunate to be part of this history-making initiative," said Terry. "We realized a couple of years ago that we would have to be aggressive in seeking out new and innovative ways of sustaining and increasing our sales beyond our contract with the Defense Department. This [arrangement] is a good deal for us, for McDonald's, and for the Defense Department."

McDonald's is the first non-government corporation to endorse DPSC's efforts to help cut costs while keeping a strong industrial base for battle dress coats.

DPSC awarded Terry Manuf. a demonstration contract worth up to \$10 million. The contract sets a minimum production level at 258,660 woodland green camouflage uniform coats per year, and a maximum at 554,120. The contract also includes provisions for an additional two years.

Once the cross-training at Terry Manuf. is completed, a demonstration run will be conducted to test the company's ability to rapidly increase production.

"We already have a basic production line of camouflage coats that's running everyday," Terry said. "What we are going to show in the demonstration run is our ability to increase that production capability by at least 20 percent."

Terry Manuf. will be developing a contingency plan with McDonald's to ensure that the restaurants will have no disruption in service. Terry Manuf. also has a series of sub-contractors to take care of any changes in production for McDonald's.

Terry said this demonstration agreement comes at a time when peace has been a disaster for many manufacturers involved in the defense industry.

"This initiative definitely helps Terry Manuf. stabilize its government production when a lot of government contractors are experiencing problems," he said.

"However, it also helps McDonald's because it stabilizes

our production and therefore our costs."

Molino said this agreement shows that DPSC is not letting a systematized way of doing business prevent the center from being the customers' first choice when the military needs food, clothing or medical supply support. ♦

*(Danielle Moyer and Frank Johnson contributed to this article)*



*(photos by Liz Settles)*

Beverly Whatley, a sewing machine operator at Terry Manuf., making a part of the battle dress coat. DPSC's contract with Terry is worth up to \$10 million and includes provisions for an additional two years.

A MEMORANDUM OF UNDERSTANDING AND MUTUAL INTENT  
SUPPORTING THE  
DEFENSE INDUSTRIAL PREPAREDNESS PLANNING PROGRAM

INTRODUCTION

This memorandum acknowledges McDonald's Corporation's support and endorsements of the Defense Industrial Preparedness Planning Program entered into between Terry Manufacturing and the Defense Personnel Support Center (DPSC). McDonald's understands that the DPSC is committed to enhancing the national defense by working with companies that can manufacture essential products on short notice in times of national emergency. In this case, Terry Manufacturing would be called upon to produce military apparel upon such notification from the DPSC.

STATEMENT OF UNDERSTANDINGS

The goals of this Memorandum will be embodied in any contracts entered into between Terry Manufacturing and DPSC which include a requirement for shared production.

Terry Manufacturing will, in the event of a national emergency or other mobilization contingency, divert certain Terry Manufacturing production personnel from McDonald's apparel production to military apparel production.

Terry Manufacturing will develop and, if necessary, implement a contingency plan with McDonald's Corporation to prevent any disruption to the McDonald's uniform apparel supply system due to diversion of production to military apparel.

Terry Manufacturing, McDonald's, and DPSC seek to benefit from state-of-the-art manufacturing technology that will be implemented in connection with the Defense Industrial Preparedness Planning Program.

Terry Manufacturing, McDonald's, and DPSC will seek to work together in a cooperative, coordinated manner in order to fulfill the aspirations of this Memorandum of Understanding.

While this Memorandum does not create any legal obligations and does not change the mutually voluntary business relationship between Terry Manufacturing and McDonald's, McDonald's is an enthusiastic supporter and endorser of the shared production initiative.

JUNE 16, 1992  
DATE

Robert Molino  
Executive Director, Acquisition Management Planning and Support  
DEFENSE PERSONNEL SUPPORT CENTER

JUNE 16, 1992  
DATE

Roy Terry  
President  
TERRY MANUFACTURING COMPANY

JUNE 16, 1992  
DATE

Patrick Flynn  
Executive Vice-President  
McDONALD'S CORPORATION



Prepared Remarks  
of  
**Roy D. Terry**  
for  
"Shared Production" Signing Ceremony  
Terry Manufacturing Company, Inc.  
June 16, 1992

Terry Manufacturing Company is very pleased to participate in this inaugural Shared Production Arrangement. I have been asked a number of times over the past several weeks to describe my concept of what "Shared Production" is and why it is important to all of us. My answer is that Shared Production is an arrangement in which a military supplier enhances the military's ability to respond to potential national emergencies by cross-training commercial-line production workers on military items so that, if necessary, the rate of production of these military items can be rapidly increased. In order for such an arrangement to work the cooperation of the customer for the potentially affected civilian items must support the process. To put all of this in simple terms and in the context of what we are doing today: Terry Manufacturing Company is agreeing to be ready in case of a national emergency, to rapidly increase the number of camouflage coats produced each week for Defense Personnel Support Center. In order to be ready and able to do this, we are now in the process of cross-training on certain key camouflage coat operations some 32 employees who normally make McDonald's pants and other McDonald's apparel. If, God forbid, another Desert Storm or other such emergency should arise, this "National Guard of sewing machine operators" will immediately switch from McDonald's pants to camouflage coats, thus rapidly increasing our production level on these critical items. Needless to say, we needed and have received McDonald's understanding and, indeed, enthusiastic support for this plan. Of course, we are also developing contingency plans to make sure that our McDonald's customers will not be permanently affected by the implementation of this plan.

This contract, which is valued at some \$10 million for the first year and is likely to continue for two additional years, is very timely for Terry manufacturing Company and our employees. It guarantees stability and continuity of production and jobs during some very perilous times. It also creates an atmosphere in which we can effectively test and implement not only this "Shared Production" concept but other improvements in technology, quality control and service to our customers as well.

(Continued)

Continued...Roy Terry Remarks

We feel that it is also very important and timely that the Defense Department should begin to consider and implement such good, common-sense business-like approaches to the perplexing problem of maintaining military readiness during a time of shrinking budgets and decreasing troop levels. Certainly, we feel that it is extremely important that one of the nation's largest and most respected corporations, McDonald's, would join with us in supporting this effort to improve the way that we and the government do business.

To personalize this to a small extent, I want to thank Bob Molino of DPSC and Pat Flynn of McDonald's for being the visionaries that they are, and for seeing merit in what many persons originally perceived as a rather radical idea.

We at Terry Manufacturing Company look forward to working with you on this project and appreciate so very much your taking time to come down and be with us on this important occasion.

REMARKS  
OF  
ROBERT MOLINO  
DEFENSE PERSONNEL SUPPORT CENTER  
JUNE 16, 1992

This morning we commemorate a new way of doing business for the Department of Defense. For the first time, DoD has sought opportunities to share its manufacturing capability with other clients.

Why did we do this? Well, we are faced with a dilemma. We won the Cold War, and then the war in Southwest Asia. And to the victor goes a downsized military. We must now find new ways to maintain our industrial base that is so vital to our ability to go to war- should we have to gain. So with less money and need for military items, but with the same responsibility to the American people to be able to swing immediately into war level production, we forged a new alliance- an alliance with America's businesses to share production facilities in peacetime, to cross-train people to make our production lines and processes as similar to commercial practices as possible, and assimilate military production into commercial business.

It is simple economics. And to the extent we are able to do this, we will reduce the cost to American taxpayer to maintain a defense-based industry. And we will do this by encouraging and facilitating industry's ability to acquire and integrate commercial business into its business base. By sharing common operating costs and contributing to the profit line, we are able to spread our dollars among more manufacturers and have access to all of their full defense production capability when the need arises. The commercial participant enjoys the benefits of a quality manufacturer stabilized with long-term government business while making a unique and vital contribution

to the national defense. Additionally, as we make investments in enhanced manufacturing technologies and electronic business systems, the commercial participant shares the benefit and added value.

Terry Manufacturing has been a quality defense contractor for many years. It distinguished itself with the finest support during Operation Desert Storm. It is also a success story for the American Dream. In the truest sense of entrepreneurship, the Terry brothers and their hard-working employees built this minority-owned and operated business into one of the premier apparel manufacturers in the country. It is truly fitting that Terry Manufacturing should now also be the first to forge a shared production alliance with its major commercial client, the McDonald's Corporation.

And the third member of our new initiative, the McDonald's Corporation, one of the most well-known and respected American businesses in the world, is stepping forward to set the way for how we will provide for the national defense in the future- by agreeing to cross-train employees and share manufacturing facilities and make manufacturing assets. In addition to continuing its own efforts to further our national policy of supporting and encouraging minority businesses, McDonald's is now the first American company to endorse this initiative in the national defense. They are indeed to be congratulated. It's a sign of a truly successful company who, while attending to its primary interests, finds the time and a way to make a meaningful contribution to the community and the nation.

This is a day to remember, not only for the three new participants and the history making alliance we form here today, but for the nearly 300 employees of Terry Manufacturing who worked so hard to earn this recognition, ensuring their own future. I am sure the people of Roanoke are as proud of you and your accomplishments as we are. To Roy and Rudolph Terry- for your enlightened leadership and bold courage in putting this initiative together- our sincere congratulations. And to McDonald's- for your willingness to make a unique commitment and contribution to our national defense- our most sincere appreciation. We look forward to a long and mutually beneficial and profitable partnership for all of us.

REMARKS FOR PAT FLYNN  
FOR TERRY MANUFACTURING/DPSC  
SHARED PRODUCTION INITIATIVE PRESS CONFERENCE  
JUNE 16, 1992 ROANOKE, ALABAMA

GOOD MORNING.

ON BEHALF OF MCDONALD'S, USA, I AM PROUD TO BE HERE TODAY TO STAND BEHIND ROY AND RUDOLPH TERRY AND TERRY MANUFACTURING IN THIS UNIQUE NEW VENTURE. AS PART OF THIS INAUGURAL TEAM OF THE SHARED PRODUCTION PROGRAM, WE ARE ALSO PLEASED TO BE THE FIRST COMPANY TO SUPPORT THIS NEW WAY OF DOING BUSINESS FOR THE DEFENSE PERSONNEL SUPPORT CENTER.

TERRY MANUFACTURING HAS ALWAYS BEEN, AND CONTINUES TO BE, AN OUTSTANDING, INNOVATIVE SUPPLIER FOR MCDONALD'S. THEY PRODUCE TOP QUALITY UNIFORMS THAT ARE WORN BY OUR RESTAURANT CREWS ACROSS THE COUNTRY. ROY AND RUDOLPH TERRY AND THEIR ORGANIZATION HAVE A PROVEN TRACK RECORD OF DOING WHATEVER IT TAKES TO DELIVER UNMATCHED QUALITY AND CUSTOMER SERVICE. THE MCDONALD'S SYSTEM HAS BEEN BUILT ON THIS TYPE OF ENTREPRENEURIAL THINKING AND ACTION, SO IT'S NOT SURPRISING TO SEE THAT ROY TERRY AND TERRY MANUFACTURING CONTINUE TO BREAK NEW GROUND AND SET THE PACE FOR OTHERS TO FOLLOW. WE THINK THE DEFENSE DEPARTMENT MADE A WISE CHOICE IN TEAMING UP WITH TERRY MANUFACTURING TO HELP MAKE THIS CONCEPT A REALITY.

WE ALSO COMMEND THE DEFENSE PERSONNEL SUPPORT CENTER FOR LOOKING FOR NEW WAYS TO CUT COSTS AND IMPROVE EFFECTIVENESS. WE RECOGNIZE THAT EFFICIENCY IN GOVERNMENT IS IMPORTANT AND BENEFICIAL TO ALL OF US. AND AT MCDONALD'S, WE CAN IDENTIFY WITH THE NEED TO FIND WAYS TO REDUCE COSTS AND INVENTORY WHILE MAINTAINING PEAK READINESS AND RESPONSIVENESS -- IT'S SOMETHING WE DO EVERY DAY. WHILE WE CERTAINLY HOPE THERE IS NEVER A NEED FOR MOBILIZATION, WE ARE PROUD TO DO OUR PART BY SUPPORTING TERRY MANUFACTURING AND THE "DPSC". IN THE TIME OF NEED, AND HELPING TO MAINTAIN A COST EFFECTIVE, HIGHLY RESPONSIVE READINESS IN PEACETIME.

ONCE AGAIN, WE CONGRATULATE TERRY MANUFACTURING AND THE DEFENSE PERSONNEL SUPPORT CENTER FOR INITIATING THIS INNOVATIVE, UNPRECEDENTED PROGRAM.

THANK YOU.

## BRIEF FACTS ABOUT TERRY MANUFACTURING COMPANY, INC.

**TERRY MANUFACTURING COMPANY, INC.** of Roanoke, Alabama will, in 1993, celebrate its 30th year as the nation's leading Black-owned and operated apparel manufacturer. Beginning in 1963, with five employees, **TERRY** has grown steadily in employees and revenues to almost 300 employees and some \$17 million in annual sales.

More importantly, **TERRY**'s capabilities have grown over the years through experience with customers such as McDonald's, U.S. Dept. of Defense, Burger King, U.S. Forest Service, Church's Fried Chicken, Sears, J.C. Penney, etc. **TERRY MANUFACTURING COMPANY** is now recognized as a leader in automation and computerization and can perform "in-house" all operations in the process of designing, manufacturing, marketing and distributing almost any apparel or related item.

The key to **TERRY MANUFACTURING COMPANY**'s success is its superb staff, which is among the best-trained and most highly motivated in the industry. **TERRY** standards for quality and excellence in products and customer service are well-known in the apparel industry and elsewhere. **TERRY MANUFACTURING** has received awards and recognition such as the Presidential "Minority Manufacturer of the Year" award, a "Desert Storm" award and recently the "Inaugural Shared Production" award for an innovative three-way partnership developed by **TERRY** which involves McDonald's Corporation, the U.S. Defense Department and **TERRY MANUFACTURING COMPANY**.

**TERRY MANUFACTURING COMPANY** is owned and managed by brothers, Roy Terry and Rudolph Terry, both Business Administration graduates of Morehouse College, Atlanta, GA.



**Street Address:** 924 South Street  
**Mailing Address:** P.O. Box 648  
**Location:** Roanoke, Alabama 36274  
(Roanoke, AL is approximately 75 miles southwest of the Atlanta, GA airport.)

**Telephone:** (205) 863-2171  
**FAX:** (205) 863-8835

## A BRIEF INTRODUCTION TO THE CAPABILITIES OF TERRY MANUFACTURING COMPANY, INC.

**TERRY MANUFACTURING COMPANY** is a world-class manufacturer and supplier of uniforms, customized apparel, corporate identification headwear and apparel, and other related items for some of the world's most demanding customers. As a highly computerized, vertically-integrated company, **TERRY** is able to cover all the steps in successful product development and marketing -- product research, design, patternmaking, cutting, sewing, packaging, warehousing, shipping. Also, **TERRY**'s custom-designed 1-800-24-**TERRY** "Quick Ship" telemarketing system provides the ultimate in customer service and customer satisfaction.

Current and Past customers include:

- McDonald's Corporation - Crew uniforms; also **TERRY** is exclusive designer and supplier of McDonald's maintenance personnel uniforms.
- U.S. Dept. of Defense - Battle Dress Uniforms; **TERRY** received "Desert Storm Award" for meritorious service during Persian Gulf War
- U.S. Forest Service - Fire Retardant Nomex<sup>®</sup> uniforms for firejumpers and forest fire fighters; **TERRY** received numerous accolades as the exclusive supplier of these life-saving uniforms during the infamous Yellowstone National Park fires.
- Burger King Corporation - Crew uniforms; **TERRY** was the first African-American uniform supplier to a major fast-food company.
- Major Retailers - such as Sears, J.C. Penney, Woolworth, etc.

Products and services include the full range of male and female uniforms, identification apparel, headwear, etc. including:

- Shirts - Woven and knit
- Pants and shorts
- Headwear - Caps, visors, hats (especially with custom embroidery)
- Jackets - especially with custom embroidery
- Coveralls and jumpsuits
- Golf shirts and "better" quality T-shirts (especially with customized embroidery or screenprinting)
- Matched Towel and Bathrobe sets with custom embroidery
- Corporate Identification paraphernalia - such as tote-bags, lapel pins, etc,



# The Randolph Leader

Vol. 100  
No. 39

50¢

32 pages in three sections

Roanoke, Alabama

Wednesday, June 17, 1992



## Historic agreement

Signing the first of its kind "shared production" agreement yesterday morning at Terry Manufacturing Company are (seated, from left) company president Roy Terry, McDonald's executive vice-president Patrick Flynn, and Defense Personnel Support Center (DPSC) representative Robert Molino. Observing the signing are (standing) company vice-president Rudolph Terry; Sen. Sam Nunn's Georgia state coordinator, Thomas Dortch;

the chairman of the President's Commission on Minority Business Development, Joshua Smith; DPSC contracting officer, Capt. Curtis Britt; former congressman from Maryland and present chairman of the Minority Business Enterprise Legal Defense and Education Fund, Parren Mitchell; and former Atlanta mayor, Georgia congressman and United Nations ambassador Andrew Young, who is now serving as co-chairman of the Atlanta Committee for the 1996 Olympic Games.

# Unique agreement and contract brightens Terry plant's future

Terry Manufacturing Company of Roanoke has been awarded a one-year contract worth up to \$10 million by the Department of Defense in a "shared production" agreement that is the first of its kind.

A signing ceremony yesterday morning at the manufacturing facility on South Street brought together representatives of the Defense Department and McDonald's Corporation for an agreement that will allow Terry employees to serve the needs of both customers.

Also attending the historic event were various government and industry officials from throughout the country and most of the black-owned business's 280 employees.

Under this agreement, Terry Manufacturing will cross-train employees who now make McDonald's uniforms to also make camouflage uniform coats for the country's armed forces.

In the event of military mobilization, McDonald's has agreed to allow Terry Manufacturing to employ its full production capacity to make the military uniforms. Once mobilization efforts have ended, Terry Manufacturing will resume making McDonald's uniforms as needed.

Under the terms of the contract, a specific line involving 32 workers at Terry Manufacturing who make restaurant uniform pants for McDonald's has been identified to

participate in a demonstration. Until July 31, on Mondays, Tuesdays and Wednesdays these workers will make the pants. On Thursdays and Fridays they will be cross-trained to make specific parts of the camouflage coats.

Company president Roy Terry said, "We have a basic production line that's running every day on camouflage coats. What we are going to show in the demonstration run is our ability to rapidly increase that production capacity by at least 20 percent."

The contract prepared by the Defense Department's Defense Personnel Support Center in Philadelphia sets minimum production of the woodland green camouflage coats at 258,660 a year and maximum production at 554,120, allowing for both peace and war-time needs. The contract also contains provisions for renewing it for up to two years.

According to Robert Molino, DPSC's executive director for acquisition management and support and one of the signers of the agreement, the first of what he hopes will be many, "will permit the Defense Department to have a broad and diversified industrial base without the expense associated with reserving capacity in a time of declining defense needs and budget cuts."

Terry said the shared production agreement comes at a time when peace has been a disaster for many manufacturers involved in the defense industry.

"The program definitely helps Terry Manufacturing stabilize its government production at a time when a lot of government contractors are experiencing problems," he said. "However, it also helps McDonald's because it stabilizes our production and therefore our costs."

Among those speaking at yesterday's ceremony were former Atlanta mayor, U.S. congressman and United Nations ambassador Andrew Young, who is now co-chairman of the Atlanta Committee for the 1996 Olympic Games, and former U.S. congressman Parren Mitchell of Baltimore, who is now chairman of the Minority Business Enterprise Legal Defense and Education Fund.

Also making remarks were Joshua Smith, chairman of the President's Commission on Minority Business Development and president of Maxima Corporation, and Thomas Dortch, who is Georgia state director of Sen. Sam Nunn's office.

All praised company president

(see Terry on page 3A)



## Big job

Terry Manufacturing employees turn out a steady volume of military camouflage coats.



## The product line

Apparel being produced by Terry Manufacturing employees includes the entire McDonald's uniform line as well as the camouflage military uniforms to the right of the picture.

# Terry

*(continued from front page)*

Roy Terry, executive vice-president Rudolph Terry and the company's employees for the example they have set.

Molino was present to represent the Defense Department, and McDonald's was represented by executive vice-president Patrick Flynn, who noted that Roanoke did not have a McDonald's restaurant and said he would have to do something about that.

Roanoke Mayor Henry V. "Spec" Bonner presented a plaque to the Terrys for their contribution to the local economy.

June Hinton, dean of Auburn University's School of Human Sciences, presented the Terrys with a plaque for their cooperation with and contribution to projects of the school.

Col. Thomas H. Metzger, DPSC director of clothing and textiles, presented plaques to the Terrys and to Flynn of McDonald's for their participation in the production agreement.

In his remarks at the close of the ceremony, Roy Terry said the company will not be content to stop with this one contract even though it is substantial.

"This is just a step along the way; we will continue looking for new opportunities," he promised.

Appendix C

STATEMENT OF ROBERT E. DAVID  
EXECUTIVE DIRECTOR

SOUTH CAROLINA  
EMPLOYMENT SECURITY COMMISSION

BEFORE THE  
DEFENSE CONVERSION COMMISSION

JULY 30, 1992

LADIES AND GENTLEMEN:

MY NAME IS ROBERT E. DAVID. I AM EXECUTIVE DIRECTOR OF THE SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION. I AM THE SENIOR STATE EMPLOYMENT SECURITY ADMINISTRATOR IN THE NATION, I BELIEVE, WITH A LITTLE OVER 17 YEARS IN MY CURRENT POSITION.

MY TESTIMONY TODAY WILL REFLECT THAT EXPERIENCE AND THAT POINT OF VIEW, BUT I WOULD LIKE TO ADD THAT I AM A VETERAN OF WORLD WAR II, KOREA AND VIETNAM, AND HAVE SERVED IN THE AMERICAN LEGION AS A DEPARTMENT COMMANDER, AND ECONOMIC ADVISOR TO THE NATIONAL COMMANDER. I AM A LIFE MEMBER OF THE MAJOR VETERANS' ORGANIZATIONS. CURRENTLY, I CHAIR THE VETERANS AFFAIRS COMMITTEE OF THE INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES. I KNOW THAT I AM "PREACHING TO THE CHOIR" WHEN I SAY THAT THIS NATION OWES ITS VERY EXISTENCE TO OUR VETERANS. NOTHING IS TOO GOOD FOR THEM.

POSSIBLY NO SEGMENT OF THE AMERICAN WORKFORCE IS EXPERIENCING AS MUCH CHANGE AND FACES AS MUCH JOB INSECURITY AS THE AMERICAN MILITARY VETERAN.

AND THIS SITUATION WILL BECOME MORE PRONOUNCED AS THE MILITARY BUILD DOWN ACCELERATES.

WHEN ONE LOOKS AT THIS CURRENT YEAR AND THE NEXT THREE YEARS, WHAT WE SEE IS THAT THE AMERICAN ACTIVE MILITARY FORCES ARE ADDING ROUGHLY 360,000 NEW VETERANS TO THE CIVILIAN JOB MARKET EACH YEAR.

IN ADDITION TO THE ACTIVE MILITARY PERSONNEL, THE COMING YEARS WILL SEE A REDUCTION OF ALMOST 130,000 IN DEPARTMENT OF DEFENSE CIVILIANS WHO ARE VETERANS, POTENTIALLY ANOTHER 50,000 DOD VETERANS COULD BE ENTERING THE CIVILIAN JOB MARKET THROUGH 1995.

FURTHER, A THIRD COMPONENT OF EMPLOYED AMERICANS WILL BE COMPETING FOR CIVILIAN JOB OPPORTUNITIES BECAUSE OF THE MILITARY BUILD DOWN. THIS SEGMENT IS COMPOSED OF THOSE WHO WORK FOR DEFENSE-RELATED EMPLOYERS AND COULD EASILY APPROACH 500,000 SKILLED WORKERS. A LARGE PERCENT OF THESE ARE VETERANS.

OUR NATION'S EMPLOYMENT SERVICE IS CONFRONTED BY AN EVENT, THE U. S. MILITARY BUILD DOWN, WHICH WILL PUSH AS MANY AS ONE MILLION AMERICANS INTO THE CIVILIAN WORKFORCE OVER THE FOUR-YEAR PERIOD. AND OF THESE, ROUGHLY 500,000 WILL BE VETERANS, EITHER "INSTANT VETERANS" CREATED BY ACCELERATED MILITARY DISCHARGES, OR MORE ESTABLISHED VETERANS WORKING FOR DOD OR CIVILIAN CONTRACTORS.

TO HELP IN THE TRANSITION OF AMERICAN MILITARY SERVICE MEMBERS TO THE CIVILIAN WORKFORCE, THE DEPARTMENT OF LABOR -- AS YOU KNOW, WITH THE HELP OF THE RESPECTIVE MILITARY SERVICES AND THE DEPARTMENT OF VETERANS AFFAIRS -- HAS DEVELOPED THE TRANSITION ASSISTANCE PROGRAM (TAP). WE BELIEVE THIS IS A HIGHLY EFFECTIVE PROGRAM.

THE TRANSITION ASSISTANCE PROGRAM OBJECTIVES ARE ABSOLUTELY CORRECT AND PROVIDE THE PROPER FOCUS. MY OVERALL ASSESSMENT IS THAT, FOR THE FIRST TIME, WE HAVE A COMPREHENSIVE SYSTEM TO PREPARE MILITARY PERSONNEL LEAVING THE SERVICE IN A CARING AND ORGANIZED MANNER.

NOTWITHSTANDING THE MANY SUCCESS STORIES THAT CAN BE QUOTED AS A RESULT OF THE TAP, MUCH MORE NEEDS TO BE DONE. TO MY KNOWLEDGE, THERE IS NO BUDGET DEVELOPED OR COORDINATED AMONG THE DOD, DOL, AND DVA TO SUPPORT TAP; THEREFORE, IT IS UNKNOWN WHAT TAP WILL COST THE TAXPAYER OR WHAT IT SHOULD COST. THIS HAS GENERATED SOME DISAGREEMENTS AMONG THE MILITARY DEPARTMENTS AND DOL AS TO WHO SHOULD PROVIDE THE RESOURCES FOR TAP WORKSHOPS. THE MILITARY DEPARTMENTS HAVE BEGUN TO DEVELOP THEIR OWN PROGRAMS. THERE IS A NEED TO DEVELOP A PROPER BUDGET PROCESS WITH SOMEONE IN CHARGE IN ORDER TO AVOID COSTLY WASTE OF RESOURCES AND DUPLICATION OF EFFORT.

ALL TAP DOCUMENTATION, POLICY LETTERS, MILITARY DEPARTMENTS, FEDERAL AND STATE AGENCIES AGREE THAT DUPLICATION SHOULD BE AVOIDED. YET, DUPLICATION HAS OCCURRED IN THE PROGRAM.

THE TWO BEST EXAMPLES TO ILLUSTRATE DUPLICATION ARE:

- (1) DEFENSE OUTPLACEMENT REFERRAL SYSTEM (DORS) AND THE INTERSTATE JOB BANK (IJB).

THE DORS IS AN EMPLOYMENT REFERRAL SYSTEM DEVELOPED TO ASSIST DOD EMPLOYEES AND THEIR SPOUSES IN THEIR TRANSITION TO CIVILIAN EMPLOYMENT. IT PROVIDES AUTOMATED MINI-RESUMES OF MILITARY AND CIVILIAN PERSONNEL TO POTENTIAL EMPLOYERS WHO BUY INTO THE SYSTEM. THIS COMPUTER SYSTEM IS IN DOD INSTALLATIONS THROUGHOUT THE UNITED STATES.

THE IJB IS THE NATION'S EMPLOYMENT AUTOMATION SYSTEM THAT LINKS THE EMPLOYERS, JOB SERVICE, AND THE POTENTIAL EMPLOYEE. THE MAIN OBJECTIVE IS TO ASSIST THE POTENTIAL EMPLOYEE TO FIND A JOB. THIS SYSTEM IS IN 2,300 OFFICES NATIONWIDE.



TO BE COST EFFECTIVE, WE NEED ONLY ONE SYSTEM. MAYBE, THESE TWO SYSTEMS COULD BE BLENDED TOGETHER IN A COST EFFECTIVE WAY.

(2) JOB ASSISTANCE CENTER AND JOB SERVICE.

THE JOB ASSISTANCE CENTER (CONTRACT WITH THE ARMY), COLLOCATED WITH ACAP IN OVER 50 ARMY SITES THROUGHOUT THE WORLD, CONDUCTS TRAINING IN "HOW TO FIND A JOB." IT PROVIDES INDIVIDUAL ASSISTANCE, COUNSELING, REFERRAL SERVICE AND CONDUCTS WORKSHOPS AND SEMINARS FOR SERVICE MEMBERS.

THE STATES' JOB SERVICE OFFICES ARE FUNCTIONALLY ORGANIZED AS PART OF THE EMPLOYMENT SECURITY SYSTEM (2,300 NATIONWIDE) TO PROVIDE INDIVIDUAL ASSISTANCE AND COUNSELING, JOB SEARCH TRAINING AND STRATEGIES CLASSES, JOB INTERVIEW TECHNIQUE SESSIONS, REFERRALS, RESUME WRITING AND JOB PLACEMENT.

THE IDEAL SOLUTION IS TO ENCOURAGE THE ARMY TO CONTRACT FOR THESE SERVICES WITH THE STATE EMPLOYMENT SECURITY AGENCIES, AN ALREADY ESTABLISHED NATIONAL SYSTEM FOR VETERANS' EMPLOYMENT PROGRAMS. THIS WOULD PROVE TO BE EFFICIENT AND COST EFFECTIVE. OVERSEAS INSTALLATIONS WOULD NEED SPECIAL CONSIDERATION.

I FULLY UNDERSTAND AND COMMEND THE COMMITMENT THAT THE DOD AND THE VARIOUS MILITARY DEPARTMENTS HAVE IN ASSURING A SMOOTH AND MEANINGFUL TRANSITION TO CIVILIAN LIFE FOR SEPARATING MILITARY PERSONNEL. HOWEVER, WHERE TRANSITION SERVICES AND ACTIVITIES INVOLVING EMPLOYMENT ARE CONCERNED, THE STATE EMPLOYMENT SERVICE SHOULD BE MORE INVOLVED.

IN SUMMARY, WE SHOULD ESTABLISH AS A FIRST PRIORITY TO VIGOROUSLY WORK TOGETHER TO RESOLVE THE ISSUES OF FUNDING AND DUPLICATION. THIS WILL ASSURE MORE EFFICIENCY AND GREATER COOPERATION AT ALL LEVELS.

RECENTLY, MEMORANDUMS OF UNDERSTANDING BETWEEN THE UNITED STATES ARMY, UNITED STATES AIR FORCE, AND THE STATE OF SOUTH CAROLINA WERE SIGNED BY SECRETARY STONE, SECRETARY COOPER, AND SOUTH CAROLINA'S GOVERNOR CAMPBELL. THESE DEPARTMENT AGREEMENTS PROVIDE FOR THE IMPLEMENTATION OF A PLAN TO ASSIST THE MILITARY AND CIVILIAN EMPLOYEES AND THEIR FAMILIES TO SUCCESSFULLY TRANSITION FROM THE SERVICES INTO SOUTH CAROLINA'S WORKFORCE AND COMMUNITIES. THE EMPLOYMENT SECURITY COMMISSION IS IN THE LEAD ROLE OF COORDINATING THE STATE'S ACTIVITIES TO ASSURE A SMOOTH TRANSITION OF SERVICEMEN AND WOMEN.

THE SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION IS A PART OF A NATIONWIDE EMPLOYMENT SYSTEM DESIGNED TO HELP EMPLOYERS AND EMPLOYEES FIND EACH OTHER. THROUGH A COMPUTERIZED NETWORK IN MORE THAN 2,300 JOB SERVICE OFFICES (39 IN SOUTH CAROLINA), EMPLOYEES HAVE THE OPPORTUNITY TO EXPLORE THOUSANDS OF PROFESSIONAL AND NON-PROFESSIONAL JOBS LISTED.

EMPLOYERS RELY ON JOB SERVICE TO HELP THEM FIND PEOPLE FOR THEIR JOBS. JOB SERVICE RECRUITS, TESTS, AND REFERS WORKERS TO EMPLOYERS FOR INTERVIEWS. THIS HELPS EMPLOYERS CHOOSE THE BEST WORKER FOR THEIR JOBS AND HELPS TO REDUCE TURNOVER. ALSO, UP-TO-DATE INFORMATION IS PROVIDED ON JOBS IN DEMAND. SO, THE FIRST STOP NEW VETERANS SHOULD MAKE IS THE LOCAL JOB SERVICE OFFICE AND THEY WILL BE BACK AGAIN AND AGAIN AS THE WORKFORCE CHANGES.

A MILITARY ASSISTANCE COUNCIL, COMPRISED OF FOURTEEN STATE AND FEDERAL AGENCIES, HAS BEEN ESTABLISHED BY OUR GOVERNOR AND A STATE TRANSITION PLAN HAS BEEN COMPLETED. WE ARE IN THE EXECUTION PHASE AND WE ARE COMMITTED TO ENSURING THAT THOSE LEAVING THE SERVICE, INCLUDING FAMILY MEMBERS, RECEIVE CARING AND MEANINGFUL ASSISTANCE IN ESTABLISHING SECOND CAREERS. THERE ARE MANY PROGRAMS AND SERVICES AVAILABLE TO VETERANS IN SOUTH CAROLINA. AS AN EXAMPLE:

THE SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION HAS RESPONSIBILITY FOR THE APPROVAL OF VETERANS TRAINING PROGRAMS INCLUDING THOSE OFFERED BY EDUCATIONAL INSTITUTIONS, APPRENTICESHIPS, AND ON-THE-JOB TRAINING IN CERTAIN BUSINESSES AND INDUSTRIES.

THE STATE DEPARTMENT OF EDUCATION IS EXPLORING ALTERNATIVE ROUTES TO TEACHER CERTIFICATION FOR MILITARY AND CIVILIAN EMPLOYEES AND THEIR FAMILY MEMBERS WHO POSSESS THE BACKGROUND AND ACADEMIC OR VOCATIONAL TRAINING PREREQUISITES FOR A TEACHING CAREER.

THE SOUTH CAROLINA TECHNICAL AND COMPREHENSIVE EDUCATION SYSTEM, WITH ITS 16 COLLEGES, IS THE STATE'S LARGEST POST-HIGH SCHOOL EDUCATION SYSTEM. THESE COLLEGES OFFER ONE- AND TWO-YEAR EDUCATIONAL AND TRAINING PROGRAMS IN BUSINESS, HEALTH, INDUSTRIAL AND THE ENGINEERING TECHNOLOGY FIELDS.

THE VETERANS AFFAIRS, REGIONAL AND STATE OFFICES, ARE LOCATED IN COLUMBIA. THEY ASSIST VETERANS IN OBTAINING FEDERAL AND STATE BENEFITS AND PROVIDE A COMPREHENSIVE PROGRAM OF PUBLIC SERVICE AND COUNSELING TO VETERANS AND THEIR DEPENDENTS.

THE STATE-FEDERAL PROGRAM OF VOCATIONAL REHABILITATION PROVIDES A WIDE RANGE OF SERVICES FOR THE INDIVIDUAL WHO IS HANDICAPPED AS THE RESULT OF PHYSICAL OR MENTAL DISABILITY AND WHO SHOWS SUFFICIENT POTENTIAL TO BENEFIT FROM SERVICES AND BECOME EMPLOYED.

CURRENTLY, WE ARE WORKING WITH SECRETARY STONE AND SECRETARY COOPER TO GET ADVANCE INFORMATION ON ARMY AND AIR FORCE PERSONNEL RELOCATING TO SOUTH CAROLINA. QUARTERLY, WE WILL BE MAILING LETTERS WITH QUESTIONNAIRES TO THOSE MILITARY AND CIVILIAN PERSONNEL WHO HAVE INDICATED THAT THEY MAY SETTLE IN SOUTH CAROLINA WHEN THEIR MILITARY SERVICE IS COMPLETED.

DESPITE THE EFFECTIVENESS OF THE TRANSITION ASSISTANCE PROGRAM, IT IS NOT THE WHOLE SOLUTION.

THE SURGE OF NEW VETERANS, AS WELL AS THOSE NEWLY DISPLACED FROM CIVILIAN JOBS BECAUSE OF THE MILITARY BUILD DOWN, PROVIDES AN OPPORTUNITY FOR US TO EXAMINE OUR EMPLOYMENT AND TRAINING SERVICES TO VETERANS.

WE MUST EXPLORE A REVISION OF THE DISABLED VETERANS' OUTREACH PROGRAM/LOCAL VETERANS' EMPLOYMENT PROGRAM (DVOP/LVER) JOB SERVICE SYSTEM, NECESSITATED BY THE "SUNSETTING" OF VIETNAM-ERA VETERANS FROM THE FEDERAL FUNDING FORMULA IN 1994.

WE MUST REVIEW THE MISSION AND THE INTENT OF THE CURRENT DVOP/LVER SYSTEM AND EVALUATE THE CAPABILITY OF MEETING THE EMPLOYMENT AND TRAINING NEEDS OF THE SURGE OF NEW VETERANS WHO WILL BE ENTERING THE JOB MARKET IN THE COMING YEARS. WE MUST INTEGRATE THE NEEDS OF THESE NEW VETERANS WITH THE NEEDS OF THOSE VETERANS CURRENTLY REQUIRING EMPLOYMENT ASSISTANCE.

REGARDING THE PROPOSED VETERANS EMPLOYMENT AND TRAINING ACT OF 1992, I SEE A DIRECT RELATIONSHIP BETWEEN THE TRANSITION ASSISTANCE PROGRAM AND THIS VETERANS EMPLOYMENT AND TRAINING PROGRAM WITH REGARDS TO COUNSELING AND THE USE OF OUR RESOURCES. COUNSELING IS AN INTEGRAL PART OF THE THREE-DAY TRANSITION ASSISTANCE PROGRAM (TAP) WORKSHOP CONDUCTED MONTHLY AT EACH OF THE SEVEN TAP SITES IN SOUTH CAROLINA. THESE WORKSHOPS ARE DESIGNED TO HELP OUR SOON TO BE VETERANS MAKE GOOD DECISIONS AS THEY MOVE FROM MILITARY TO CIVILIAN LIFE. THE INFORMATION THEY RECEIVE HAS PROVED TO BE INVALUABLE IN THE AREAS OF:

- PERSONAL APPRAISAL (ANALYZING SKILLS/EXPERIENCE)
- CAREER DECISIONS (NEEDS AND GOALS)
- INTERVIEWS (THE PROCESS)
- APPLYING FOR JOBS (SKILLS NECESSARY FOR JOB SEARCH)
- JOB OFFERS (EVALUATION AND RESPONSE)
- VETERANS' BENEFITS

ADDITIONALLY,

THIS BILL COMES AT A CRITICAL TIME FOR THE NATION AND OUR VETERANS. AS YOU KNOW, THOUSANDS OF MILITARY PERSONNEL ARE IN THE PROCESS OF BEING SEPARATED DAILY.

OUR ECONOMY IS SLOWLY IMPROVING, BUT THE TRANSITION OF THIS LARGE NUMBER OF MILITARY PERSONNEL INTO CIVILIAN LIFE WILL CREATE REAL PROBLEMS. THE VETERANS EMPLOYMENT AND TRAINING ACT OF 1992 WILL BE AN IMPORTANT INCENTIVE TO EMPLOYERS TO HIRE AND TRAIN VETERANS. EMPLOYERS NEED THAT INCENTIVE.

NOW, THERE ARE SEVERAL KEY POINTS THAT I WOULD LIKE TO MAKE.

FIRST, THIS MULTI-YEAR PROGRAM IS EXACTLY WHAT AMERICA NEEDS TO PROVE OUR COMMITMENT TO OUR VETERANS. BUT, EQUALLY IMPORTANT IS THE FACT THAT WE WILL HAVE THE TIME TO TEST IDEAS AND IMPROVE THE PROGRAM. SEVERAL YEARS AGO, WE IMPLEMENTED A PROGRAM IN SOUTH CAROLINA WHERE WE ASSISTED A GROUP OF VETERANS TO START THEIR OWN BUSINESSES. THE RESULTS WERE VERY GOOD. THE PROGRAM NOT ONLY HELPED DESERVING VETERANS, BUT IT CREATED A SIGNIFICANT NUMBER OF NEW JOBS. THAT IS WHAT THIS LEGISLATION CAN ACCOMPLISH -- A POSITIVE IMPACT ON THE OVERALL ECONOMY. IT WILL BE AN INVESTMENT, NOT AN EXPENSE.

SECOND, IN ORDER TO WORK, FISCAL POLICY BETWEEN THE CONGRESS AND THE ADMINISTRATION SHOULD BE CLEARLY ESTABLISHED. HOPEFULLY, THE PROGRAM, ONCE STARTED, WOULD BE ALLOWED TO RUN ITS COURSE AND ACHIEVE ITS OBJECTIVES.



THIRD, COORDINATION BETWEEN PARTNERS IS ESSENTIAL TO ACHIEVE SUCCESS. WHAT WE HAVE LEARNED FROM THE TRANSITION ASSISTANCE PROGRAM SHOULD SERVE AS A MODEL. A FULL PARTNERSHIP MUST BE ENJOINED AMONG DOL, DVA, DOD, THE STATES AND THE PRIVATE SECTOR. THE DEPARTMENT OF LABOR SHOULD HAVE FULL RESPONSIBILITY FOR IMPLEMENTING THE HANDS-ON PROVISIONS OF THIS BILL TO INCLUDE RESPONSIBILITY FOR SUPPORT AND ASSISTANCE IN THEIR RESPECTIVE AREAS. THIS WILL PROVE MORE COST EFFECTIVE. THE EMPLOYMENT SECURITY SYSTEM HAS THE CAPABILITY AND COMMITMENT TO GET THE JOB DONE. THE SYSTEM ALREADY IS IN PLACE, ALREADY AT WORK WITH THE TRANSITION ASSISTANCE PROGRAM, AND SITS AT THE CENTER OF THE NATION'S JOB NETWORK. AS YOU KNOW, LOCAL EMPLOYMENT OFFICES THROUGHOUT THE COUNTRY ARE STAFFED WITH PERSONNEL WHO SPECIALIZE IN SERVING AND PLACING VETERANS. (I AM REFERRING TO THOSE INDIVIDUALS KNOWN AS DVOP'S AND LVER'S.) OF COURSE, THEY WILL BE OVERWHELMED DURING THE NEXT SEVERAL YEARS, AND WE WOULD HOPE THAT ADEQUATE FUNDING FOR THEIR WORK WOULD BE PROVIDED.

I AGREE WITH THE NATIONAL GOVERNOR'S ASSOCIATION THAT THE BEST MECHANISM FOR BUILDING FLEXIBLE, TARGETED, AND EFFECTIVE DEFENSE ADJUSTMENT PROGRAMS IS TO PROVIDE STATES WITH A FORMULA-ALLOCATED SUPPLEMENT (BASED ON DEFENSE-RELATED EMPLOYMENT AND OTHER FACTORS) TO THE EDWAA GOVERNOR'S RESERVE (40 PERCENT FUNDS). THE SUPPLEMENT WOULD BE USED FOR DEFENSE-RELATED READJUSTMENT ACTIVITIES AUTHORIZED UNDER JTPA SECTION 302(C)(1), INCLUDING RAPID RESPONSE, SITE SPECIFIC PROJECTS, SUPPLEMENTAL ALLOCATIONS TO SUBSTATE GRANTEEES, COORDINATION WITH EMPLOYMENT SECURITY, AND TECHNICAL ASSISTANCE. THIS APPROACH HAS THE ADVANTAGE OF GETTING THE FUNDS OUT AS EXPEDITIOUSLY AS POSSIBLE, BUILDING ON EXISTING PROGRAMS AND SERVICE SYSTEMS, ENSURING PROGRAM DESIGN FLEXIBILITY, AND TARGETING AREAS AFFECTED BY DEFENSE DISLOCATION.

FINALLY, THE ICESA BOARD OF DIRECTORS AND THE NEW DEPUTY SECRETARY OF LABOR HAVE AGREED TO REESTABLISH A REAL FEDERAL-STATE PARTNERSHIP.

IT IS OUR UNDERSTANDING THAT THE NEW WORLD ORDER MEANS DRAMATIC CHANGES IN THE UNITED STATES ECONOMY, SOME OF WHICH WILL RESULT IN TRANSITIONS AND DISLOCATIONS;

HUMAN DEVELOPMENT PROGRAMS AND THE STRUCTURE THAT DELIVERS THOSE PROGRAMS, ARE ESSENTIAL TO THE NATIONAL ECONOMIC AGENDA;

MANY OF THE FEDERAL AND STATE PROGRAMS THAT ADDRESS HUMAN RESOURCE NEEDS MUST BE BETTER COORDINATED AT BOTH THE FEDERAL AND STATE LEVELS TO MAKE THE BEST USE OF LIMITED RESOURCES;

A TRUE PARTNERSHIP BETWEEN THE U. S. DEPARTMENT OF LABOR AND THE STATES IS CRITICAL IN THE DELIVERY OF WORKFORCE PROBLEM SOLUTIONS...

IN SUMMARY, THE EMPLOYMENT AND TRAINING SYSTEM THAT EXISTS IN OUR COUNTRY TODAY IS A NATIONAL ASSET THAT WILL HELP US THROUGH THE PERIOD OF UNCERTAINTY, INSECURITY AND CHANGE.

MY LAST COMMENT TO YOU IS OUR NATION IS NOT READY FOR THE MILITARY BUILD DOWN. IN VIEW OF THE NATIONAL RECESSION A BUILD DOWN NOW WILL ONLY AGGRAVATE AN ALREADY DIFFICULT UNEMPLOYMENT PROBLEM. MY RECOMMENDATION IS TO POSTPONE THE BUILD DOWN FOR ONE YEAR. THIS WILL PROVIDE ADDITIONAL TIME FOR COORDINATION, BUDGETING AND PLANNING. THIS WILL ALSO ALLOW ANOTHER YEAR FOR OUR NATION TO RECOVER.

THANK YOU FOR THIS OPPORTUNITY TO SHARE MY THOUGHTS AND EXPERIENCES WITH YOU, AND THANK YOU MOST SINCERELY, FOR YOUR CONCERN FOR AMERICA'S VETERANS.

## Appendix D

Delores Crockett included, as part of her testimony to the Defense Conversion Commission, the following materials available from the U.S. Department of Labor, Women's Bureau National Office, 200 Constitution Avenue, N. W., Room S3002, Washington, D.C. 20210, Regional Offices, or the DCC.

Department of Labor, Secretary's Commission on Achieving Necessary Skills (SCANS) reports:

"Learning a Living: A Blueprint for High Performance/Executive Summary"

Department of Labor, Women's Bureau publications:

"Publications of the Women's Bureau," March 1992

"Directory of Non Traditional Training and Employment Programs Serving Women," 1991, ISBN 0-16-035833-7

"History of the Women's Bureau," September 1987

"The Women's Bureau: What It Is, What It Does," 1991

Facts on Working Women bulletins, including:

"20 Facts on Women Workers," No. 90-2, September 1990

"Women in the Skilled Trades and in Other Manual Occupations," No. 90-5, January 1991

"Women Workers: Outlook to 2005," No. 92-1, January 1992

Secretary's Initiative to Support Women And Minorities In The Skilled Trades, July 1992.

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